

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 22 March 2018 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

IF YOU HAVE ANY QUERIES REGARDING THE AGENDA PAPERS OR REQUIRE ANY FURTHER INFORMATION PLEASE INITIALLY CONTACT DIANE BROOKS ON TELEPHONE NUMBER PRESTON (01772) 866720 AND SHE WILL BE PLEASED TO ASSIST.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. APOLOGIES FOR ABSENCE

2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3. MINUTES OF THE PREVIOUS MEETING (Pages 1 - 6)

4. RISK MANAGEMENT

Report to follow.

5. INTERNAL AUDIT MONITORING REPORT (Pages 7 - 18)

6. INTERNAL AUDIT PLAN 2018/19 (Pages 19 - 30)

7. EXTERNAL AUDIT - AUDIT PLAN 2017/18 (Pages 31 - 48)

8. CONTRACT STANDING ORDERS - PROPOSED AMENDMENTS (Pages 49 - 72)

9. FINANCIAL REGULATIONS - PROPOSED AMENDMENTS (Pages 73 - 136)

10. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on

24 July 2018 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 27 September 2018
 proposed for 29 January 2019

11. URGENT BUSINESS

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

12. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

PART 2

13. MARAUDING TERRORIST FIREARMS ATTACK (MTFA) UPDATE

Oral report.

14. URGENT BUSINESS (PART 2)

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 25 January 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

M Tomlinson (Chairman)
J Shedwick (Vice-Chair)
S Clarke
S Holgate
A Kay
M Khan
D Smith

Officers

K Mattinson, Director of Corporate Services (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
J Keighley, Member Services Assistant (LFRS)

In attendance

K Murray, External Audit, Grant Thornton
R Tembo, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

19/17 APOLOGIES FOR ABSENCE

None received.

20/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

21/17 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 28 September 2017 be confirmed as a correct record and signed by the Chairman.

22/17 EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2016/17

The External Auditor's Annual Audit Letter represented an overall assessment of the Authority's performance, drawing on the Auditor's findings and conclusions from their work, which had previously been reported to the Audit Committee.

Members considered the Annual Audit Letter which summarised Grant Thornton's 2016/17 audit of the Authority as presented by Karen Murray, Engagement Lead for Grant Thornton.

The Auditors had issued an unqualified opinion on the Authority's 2016/17 financial statements on 28 September 2017, meeting the national deadline of 30 September 2017. The External Auditors were satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017. It was noted that the External Auditor's fee for 2016/17 was in line with the planned fee for the year.

RESOLVED:- That the Audit Committee noted and endorsed the content of the Annual Audit letter 2016/17.

23/17 EXTERNAL AUDIT - AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Committee considered a report from the External Auditors presented by Karen Murray which detailed progress at January 2018 in relation to the financial statements and value for money conclusion for 2017/18. The report also set out what the External Auditors would do and their planned completion date.

In addition the report included sector issues which provided an up to date summary of emerging national issues and developments to support the Authority/Committee.

The Director of Corporate Services confirmed that he would bring updated Terms of Reference for the Resources and Audit Committees to the Fire Authority to explain changes to responsibilities in approving the Statement of Accounts.

RESOLVED:- That the Audit Committee noted and endorsed the report.

24/17 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to January 2018 was presented by Judith Taylor.

It was noted that work carried out during the period 1 April 2017 – 12 January 2018 was in accordance with the agreed audit plan. Details of the progress included assurance provided and key issues identified for each of the areas completed to date. Progress to date in relation to the Plan was provided and discussed by Members. To date, 54 days of the planned 80 audit activity days had been spent on completion of the plan which equated to 68%.

It was confirmed that from the work undertaken no key issues had been identified from the assurance work completed to date.

Following discussion of the findings from an External Quality Assessment as detailed in the report, the Committee asked for further assurance in relation to where improvement was needed 'in co-ordinating and maximising assurance with other assurance providers'. Mrs Taylor agreed to bring to the Committee the agreed

actions and timescales from that review.

RESOLVED:- That the Audit Committee noted and endorsed the report.

25/17 CONSULTATION ON 2018/19 SCALES OF AUDIT FEES

Public Sector Audit Appointments Limited (PSAA) (the successor to the Audit Commission) was responsible for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that had opted into the appointing person scheme. The PSSA had produced a consultation document on the proposed scale of fees for 2018/19 audits which it was proposed would reduce by 23%, compared to the fees applicable for 2017/18. This reduction was possible as a result of the favourable prices secured from audit firms in the recent audit services procurement.

The PSAA would hope to maintain the reduction of 23% in scale fees for the first 3 years of the appointing period, based on current assumptions about inflation and the amount of work the Auditors were required to undertake. They expected to be able to confirm this position following a review and update of their assumptions and estimates each year and consultation on scale fees for the following year. The PSAA may be able to sustain the reduction for the full 5 years of the appointing period, but economic uncertainties meant that it was not possible to be certain at this early stage because of the uncertainty of the impact of inflation indexation provisions in the audit contracts on PSAA's costs.

The work the auditors would carry out on the 2018/19 accounts would be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

The proposed 2018/19 scale fees for the Authority were £23,669, compared with the current fee of £30,739.

The consultation closed on Friday 15 January 2018. Given the reduction in fees, and after consultation with the Chairman and Vice-Chairman a formal response to the document had not been submitted.

RESOLVED:- That the Audit Committee noted and endorsed the consultation document as set out in the report.

26/17 RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting.

The latest review of the corporate risk register had identified one new risk which warranted inclusion on the corporate risk register:-

Risk number 24 was concerned with risk of Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness

The Director of Corporate Services advised that Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) was undertaking an

inspection of the Authority. Members noted that a team had been established within the Service to support the review and the Inspectors. HMICFRS had produced a draft inspection criteria which was being reviewed by the Heads of Departments to undertake a self-assessment. The first draft of internal reviews would be considered by the end of January 2018 to identify key areas that the Service may need to review and an action plan to address issues would be implemented. An additional recommended action was the need to manage expectations given there had been a lot of change since the last inspection. As the Service was in the first tranche to be inspected a high risk score had identified as appropriate.

The updated corporate risk register was considered by Members and the Director of Corporate Services highlighted the following:

Risk Number 3

The Director of Corporate Services advised that the Home Office had asked for confirmation of what our business continuity arrangements would be if there was industrial action. He confirmed that a response had been submitted by the Chairman re-affirming that arrangements that were previously in place would apply, and re-iterating that these had resulted in over half the fire appliances in Lancashire being available during the previous periods of industrial action. He also confirmed that although this could be a risk in the future it was not being proposed to reinstate it at this time. Any decision to reinstate would need to be made by the Committee or following liaison with the Chairman and Vice-Chairman if an urgent decision was required.

It was noted that an updated National Risk Register had been published by the Cabinet Office. This would be reviewed by the Lancashire Resilience Forum, of which LFRS was a partner, with any relevant risk being reported to the Audit Committee in due course.

In response to a question raised by CC Holgate regarding the potential for reputational risk resulting from poor decision making by a partner organisation the Director of Corporate Services agreed to provide an update to a future meeting.

RESOLVED: - That the Audit Committee noted the actions taken and endorsed the revised corporate risk register.

27/17 CONTRACT STANDING ORDERS

The Authority was a Contracting Authority for the purpose of the Public Contracts Regulations 2006 and was required to comply with the tendering and award of contracts as set out in those regulations. The European Commission had updated its threshold and on that basis the Authority was required to amend its regulations.

It was therefore proposed that these thresholds were amended to take account of changes to EU thresholds, which were reviewed on a regular basis. It was noted that a more comprehensive review of contract standing orders, financial regulations and scheme of delegation was planned for the last quarter of the financial year.

Members considered the proposed new thresholds:

For all Goods, Services & Works

Under £5,000:	With the exception of public utility Services i.e. gas, electric and periodical payments goods services or works may be procured using an official order.
Between £5,001 and £25,000:	At least three (3) written request for quotations (RFQ) must be requested. Procurement Department could assist.

For all Goods & Services

Between £25,001 and £181,302 (Currently £164,176)	Procurement Department involvement was required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system was recommended.
Over £181,302 (Currently £164,176):	Procurement Department involvement was required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

For all Works

Between £25,001 and £4,551,413 (Currently £4,104.394)	Procurement Department involvement was required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system was recommended.
Over £4,551,413 (Currently £4,104.394):	Procurement Department involvement was required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

RESOLVED:- That the Audit Committee approved the amended Contract Standing Order thresholds as outlined in the report.

28/17 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) was part of the statutory audit process for health, local government and the other public sector providers that the Cabinet Office was now responsible for which was previously the Audit Commission. The NFI flagged up inconsistent data within payroll, pensions and creditors which may indicate fraud, signalling the need for investigation, and provided a national picture of fraud as well as highlighting emerging fraud risks.

In respect of the Authority, 322 matches were released in 2017 for investigation which related to payroll, pensions and creditors, with 63 identified as requiring priority investigation. Following investigations no significant issues had been identified.

Nominated contacts responsible for checking the matches had been established for each dataset, but the activity was predominantly undertaken within the Finance Department and Lancashire County Council Pensions Sections with assistance from Human Resources and Procurement. The checking process commenced as soon as the results were released and continued as new data matches were released.

The number of matches identified by the 2017 exercise relating directly to the Authority was considered by Members.

Area	No. of Matches	No. of Priority Checks	Fraud	Errors	Issues Already Known	Recovery/ Savings as a result of NFI £'000
Pensions	55	17	-	-	16	-
Payroll	48	5	-	-	-	-
Creditors	219	41	-	17	-	-
Total	322	63	-	17	16	-

It was noted that all priority matches had been checked and concluded and the non-priority ones were ongoing with 115 'duplicate records by amount' currently outstanding. The results of the matches had revealed that there were valid reasons and explanations as to why the majority of matches had appeared on the reports. For example, on payroll the majority of the matches related to individuals who were employed as retained fire fighters and wholtime fire fighters or with other organisations.

The 16 instances of duplicate supplier records were identified via various matching techniques and action had been taken to remove the duplicate records.

The Authority paid an annual fee of £1,000 for the NFI to the Cabinet Office and Members were assured that the report did not identify any new risks issues that would need to be addressed.

RESOLVED:- That the Audit Committee noted the report.

29/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 22 March 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 24 July 2018 and 27 September 2018.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 22 March 2018

**INTERNAL AUDIT MONITORING REPORT
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2017/18.

Decision Required

The Committee is asked to note/endorse the report.

Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 23 February 2018 is attached as Appendix 1, and will be presented by the Head of Internal Audit.

The report includes an update on actions taken following the recent External Quality Assessment review, the outcome of which was reported in January.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	<u>Date</u>	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Appendix 1

Lancashire Combined Fire Authority

Internal Audit Service

Monitoring report for the period ended

23 February 2018

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2017/18 was approved by the Audit Committee in March 2017. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2017 to 23 February 2018.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by all the staff contacted in the course of our work.

2 Key issues and themes arising during the period

- 2.1 No significant issues have been identified from the assurance work completed to date that needs to be brought to the specific attention of the Committee.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2017 to 23 February 2018 was in accordance with the agreed audit plan.
- 3.2 To date, 59 days have been spent this financial year on completion of the 2017/18 plan, equating to 74% of the total planned audit activity of 80 days, of which 5 days have been conducted in the period since our previous report to the Audit Committee, dated 12 January.

Summary of recent progress:

Governance and risk management arrangements

- 3.3 We have completed our review of the minutes of the Executive Board, the Service Management Team and the Corporate Programme Board to inform the annual opinion of the Head of Internal Audit on overall risk management, internal control and governance arrangements. This will be provided in the Annual Report for 2017/18 to be presented to the July 2018 meeting of the Audit Committee.

Rota management

- 3.4 Our fieldwork has been completed and the draft report recently submitted for management consideration.

Pension administration

- 3.5 The scope of this work has recently been agreed and testing will be completed during March 2018.

Follow up audit activity

- 3.6 Our prior year audit of *Tranman stores* provided substantial assurance. At the time of the review the system had only been live for approximately four months and a full annual stocktake had still to be performed. Four actions were agreed with management, primarily concerned with stocktaking arrangements. Of these, only one

action (low residual risk) is ongoing which relates to retaining notes of the twice yearly supplier meetings with the software provider.

- 3.7 Arrangements have also been made to commence the follow up audit activity in relation to *Tranman Fleet*, *Absence management* and the *Operational Assurance Team*.

Overall summary and assurance provided

- 3.8 We have set out in the table on the following pages a brief summary of the position of each review during the period. This sets out the planned and actual days we have spent on each review to date.
- 3.9 We have provided a summary of the assurance we are able to provide in relation to each system or operational area of your business where work has been finalised.

System adequacy: We define a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

- 3.10 The assurance we provide over any area of control falls into one of four categories and these are defined at Annex 1.

External quality assessment

- 3.11 As reported in January 2018, an external quality assessment of the Internal Audit Service conducted in November 2017 confirmed that the service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF.
- 3.12 We confirmed in January 2018 that a small number of actions had arisen for the Service from this review, which would be addressed over the coming months. The table at Appendix B provides a position statement for the Committee on the actions raised and how they are being addressed by the Internal Audit Service.

Use of this report

- 3.13 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Governance and risk management arrangements	0	0	0	-	-	An overall opinion on the adequacy and effectiveness of governance and risk management arrangements will be reported as part of the 2017/18 Annual Report of the Head of Internal Audit.
Service delivery and support						
Rota management	10	10	0	-	-	Fieldwork has been completed and our draft report is with management.
Training, learning and development	10	0	10	-	-	Work is scheduled for completion during March/ April.
Business processes						
Accounts payable	10	10	0	✓	✓	Our final composite report covering each of these accounting systems was issued in December 2017.
				Substantial assurance		
Accounts receivable	5	5	0	✓	✓	Two medium and one low residual risk actions were agreed relating to: <ul style="list-style-type: none"> • Revision of access permissions • Ensuring compliance with Contract Standing Orders • Reminding staff of the correct fees and charges information
				Full assurance		
General ledger	5	5	0	✓	✓	
				Full assurance		
HR and Payroll	12	12	0	✓	✓	Our final report was issued in January 2018. No areas for improvement were noted.
				Full assurance		
Treasury management	5	5	0	✓	✓	Our final report was issued in November 2017. No areas for improvement were noted.
				Full assurance		

Lancashire Combined Fire Authority
 Internal Audit Service - Monitoring report for the period ended 23 February 2018

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	5	0.5	4.5	-	-	The scope of this work has been agreed and testing will be completed during March 2018.
Follow up audit activity						
<ul style="list-style-type: none"> • Absence management • Tranman stores • Tranman fleet • Operational Assurance Team 	6	1	5	N/A	N/A	Our work on Tranman stores has been completed and our final report issued in February 2018. Work has commenced in relation to each of the remaining follow up audits, with fieldwork to be completed during March 2018.
Other components of the audit plan						
Management activity	10	10	0	N/A	N/A	Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring reports, development of the 2018/19 audit plan and attendance at the meetings of the Audit Committee.
National Fraud Initiative	2	0.5	1.5	N/A	N/A	Time incurred relates to administrative support provided in relation to the National Fraud Initiative exercise and investigation of certain categories of data match.
Total days	80	59	21			

Audit assurance levels

Annex 1

The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.

Relevant reference in Public Sector Internal Audit Standards	Action agreed per EQA final report – November 2017	Progress/ action taken as at February 2018
Integrity: one of the four elements of the Code of Ethics. The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.	1. Consider including explicit reference to integrity in the Audit Charter at the next update.	Amendments have been made in the Internal Audit Service Charter to reflect this. <i>Refer Appendix C</i>
Competency: one of the four elements of the Code of Ethics. Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	2. Consider including explicit reference to competence in the Audit Charter at the next update.	Amendments have been made in the Internal Audit Service Charter to reflect this. <i>Refer Appendix C</i>
1210 – Proficiency Internal Audit must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.	3. The review team supported the ongoing procurement exercise for an external provider to deliver ICT assurance and audit services.	The ICT procurement exercise is progressing and it is anticipated that an ICT audit provider will be in place for 2018/19. There are currently no specific ICT audit assignments incorporated within the proposed internal audit programme for 2018/19.
1300 – Quality Assurance and Improvement Programme The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.	4. The HIA should implement the new concurrent and post-audit file review processes set out in the team's methodology to help test conformance with unit working practices and the quality of work undertaken.	The file review process has been set out and file reviews have commenced.
1311 – Internal Assessments (Local Government Advisory Note – additional to PSIAS): Does ongoing performance monitoring include comprehensive performance targets?	5. The HIA should consider the most appropriate performance monitoring initiatives to enhance internal audit efficiency, quality and delivery.	It has been agreed that timesheets will be re-introduced into the Internal Audit Service in conjunction with the county council's finance teams by 1 April 2018. Other performance monitoring will follow on from this, using the information that will then become available. This will then be reflected in the Quality Assurance and Improvement

Actions arising from the Internal Audit Service External Quality Assessment, November 2017

Relevant reference in Public Sector Internal Audit Standards	Action agreed per EQA final report – November 2017	Progress/ action taken as at February 2018
		Programme when it is next reviewed and renewed prior to 30 June 2018.
<p>2050 – Co-ordination and reliance</p> <p>The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.</p>	<p>6. Consider more systematically identifying other assurance providers and determining whether reliance can be placed on their activity.</p> <p>7. Consider developing a fit for purpose assurance map that captures the assurance landscape over key risks.</p>	<p>This has been discussed with the Director of Corporate Services and provision has been incorporated into the Internal Audit work programme for 2017/18.</p>
<p>2120 – Risk management</p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p>	<p>8. Consider whether additional resources invested in fraud and investigation may help improve internal audit capability in this area and enhance organisational governance, risk and control.</p>	<p>The team is aware of and responds to the risk of fraud during the course of its audit work.</p> <p>The Internal Audit Service do not currently provide a fraud and investigation service for the Combined Fire Authority other than the provision of support in the National Fraud Initiative.</p>
<p>2431 – Engagement disclosure of non-conformance</p> <p>When non-conformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:</p> <ul style="list-style-type: none"> • Principle(s) or rule(s) of conduct of the Code of Ethics or the Standard(s) with which full conformance was not achieved. • Reason(s) for non-conformance. • Impact of non-conformance on the engagement and the communicated engagement results. 	<p>9. Consider updating the audit methodologies or QAIP with a small section covering this particular situation and referencing PS2431 (non-conformance with the Code of Ethics or the Standards, where it impacts a specific engagement).</p>	<p>This situation has not knowingly been encountered in respect of an individual audit, but will be addressed when the Quality Assessment and Improvement Programme is next reviewed and renewed prior to 30 June 2018.</p> <p>The Internal Audit Service Charter has been updated to reflect the reporting of any non-conformance activity.</p> <p><i>Refer Appendix C</i></p>

Actions arising from the Internal Audit Service External Quality Assessment, November 2017

Relevant reference in Public Sector Internal Audit Standards	Action agreed per EQA final report – November 2017	Progress/ action taken as at February 2018
<p>2500 – Monitoring progress The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p>	<p>10. Consider how best to report outstanding, overdue actions to key stakeholders at regular intervals.</p>	<p>Outstanding and overdue actions are already reported to the Audit Committee on an annual basis and within the periodic monitoring reports.</p>

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 22 March 2018

INTERNAL AUDIT PLAN 2018/19 (Appendix 1 refers)

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone 01772 866804

Executive Summary

The attached document sets out the final proposed Internal Audit Plan for 2018/19.

Decision Required

The Committee is asked to agree the Internal Audit Plan for 2018/19.

Information

The internal auditors are required to produce an Annual Audit Plan, setting out areas they intend to review during the year. A proposed plan is attached as Appendix 1, and will be presented by the Internal Audit Manager.

The plan utilises a total of 80 days in 2018/19.

Financial Implications

Delivery of the plan will cost £26k which is in line with budget provision.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

The audit plan is formulated taking account of the risks faced by the Authority, and as such is designed to ensure that the auditors review how the Authority is managing these risks and provide an assurance on this.

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Lancashire Combined Fire Authority

Internal Audit Service

Internal Audit Plan: 2018-19

1 Introduction

- 1.1 This paper sets out a draft plan of work to be undertaken by the Internal Audit Service for the Combined Fire Authority for the coming financial year. The plan amounts to a total resource of 80 audit days, which equates to an overall cost of £26,000 (ex VAT) at our daily rate of £325, which is consistent with prior years.

2 The purpose of the audit plan

- 2.1 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Combined Fire Authority. However the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and internal audit provides one of the key sources of such assurance.
- 2.2 The head of internal audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the objectives of Lancashire Combined Fire Authority are being adequately and effectively controlled.
- 2.3 The Audit Committee's terms of reference require it to review and approve the internal audit plan. The Committee's views on this proposed plan of work will therefore be welcome.

3 Statutory and professional requirements relating to internal audit

- 3.1 Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance."

Regulation 5. (1)

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control [...] and (b) prepare an annual governance statement."

Regulation 6. (1)

Definition of internal auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

Public Sector Internal Audit Standards, 2017 published by the Relevant Internal Audit Standard Setters

- 3.2 The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

4 Internal audit coverage to support an annual overall opinion

- 4.1 An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
 - Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
 - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
 - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
 - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.
- 4.2 Because the overall opinion covers a 12 month financial period, the evidence will relate to the controls in operation for that period.

5 Relationship to the risk management process

- 5.1 A risk-based audit plan will take into consideration the risks assessed as most significant by the organisation's managers, and should seek to provide assurance over the operation of the controls that serve to reduce the most significant risks to the greatest degree.
- 5.2 Using the corporate risk register and working with the Director of Corporate Services, we have sought to identify the areas with the greatest inherent risk, where these risks are regarded as having been effectively mitigated by strong controls. These are the controls on which the Combined Fire Authority and

Lancashire Fire and Rescue Service is placing the greatest reliance and over which it therefore needs the greatest assurance.

6 The Authority's 'lines of defence' and other sources of assurance

- 6.1 The Internal Audit Service is only the Combined Fire Authority's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.
- 6.2 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

7 The audit approach adopted by the Internal Audit Service

- 7.1 The Internal Audit Service follows a risk-based audit methodology, working closely with managers to understand the risks to the service, system or process being audited and then testing the controls in place. The audit process therefore involves two phases. During phase one we establish a framework of risks and controls, which enables us to assess the adequacy of the controls designed to mitigate the risks identified, and during the second phase we test the effectiveness of the controls in operation. The nature of the audit work performed does however vary and can include either or both of these phases.
- 7.2 Whilst a service is in the process of transformation or remodelling we can support the managers in the design of a control framework that will manage the risks to service objectives. This would represent consultancy rather than assurance work.
- 7.3 Where assurance is required over a control system that has not previously been audited in its present form we undertake a full review including both audit phases, and we will provide an opinion on both the adequacy of design and the effectiveness in operation of the controls in place.
- 7.4 Finally we may undertake compliance testing annually of systems we have previously audited because they are fundamental to the overall control framework.
- 7.5 Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any high or medium risks identified we will seek evidence to support this, but other than obtaining management assurances, we will not generally follow up actions designed to mitigate only low risks.

8 Degrees of assurance

8.1 For 2018-19 we are revising the way in which we categorise our assurance levels. The previous and revised definitions (of equivalent value) are shown below for information:

Previous definitions and categories	Revised definitions and categories
<p>Full assurance: There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied.</p>	<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated.</p>
<p>Substantial assurance: There is a generally sound system of internal control, adequately designed to meet the service's objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.</p>	<p>Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.</p>
<p>Limited assurance: Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.</p>	<p>Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.</p>
<p>No assurance: Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.</p>	<p>No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.</p>

8.2 In December we provided an opinion of **substantial** assurance over the adequacy and effectiveness of the controls operating within the Accounts Payable system. Under the revised assurance categories this would have been reported as **moderate** assurance. Similarly, the **full** assurance provided in relation to Treasury management arrangements would now be reported as **substantial** assurance.

9 Deployment of audit resources

- 9.1 The plan is stated in terms of days input, which represents our current best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.
- 9.2 The content and outline scope of each audit within the proposed plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
<i>Governance and business effectiveness</i>			
Governance and risk management arrangements <i>Quarter 4</i>	<ul style="list-style-type: none"> We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee. We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of the Executive Board, the Service Management Team and the Corporate Programme Board. <p>(The days involved in conducting the above work are incorporated into the 'management' time shown below).</p>	-	Required by the Public Sector Internal Audit Standards - the review will inform our annual audit opinion on risk management, governance and internal control.
Sources of Assurance	<ul style="list-style-type: none"> This work will involve the development of an assurance map for the Service, considering the sources of assurance currently available from both internal and external sources, in order to identify any gaps or duplication in provision. 	10	Phase one (consultancy) support
<i>Service delivery and support</i>			
Business Continuity arrangements <i>Quarter 2</i>	<ul style="list-style-type: none"> We will undertake an assessment of the adequacy of the business continuity arrangements in place against best practice guidelines, and conduct selective tests of effectiveness as appropriate. 	6	Phase one and two – we will assess the adequacy of control design and effectiveness in operation

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
Business processes			
Accounts payable <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> • Compliance with financial regulations and the scheme of delegation. • Processes employed for the ordering, receipting and payment of goods and services is appropriate and efficient. • Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid. 	10	Phase two (compliance) audit
Accounts receivable <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> • Invoices are raised on a timely basis for all goods and services provided. • Invoices are cancelled or written off appropriately. • Income is correctly accounted for. • Debtors are actively managed so as to reduce the level of bad debts and loss of income. 	5	Phase two (compliance) audit
General ledger <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> • Access to the accounting systems is appropriately managed and controlled. • There are no unauthorised changes to the accounting records. • Financial data is complete, timely and accurate. • Misappropriations or errors are detected. 	5	Phase two (compliance) audit
HR/ Payroll <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> • Access to the HR and payroll systems is appropriately managed and controlled. • Key HR and payroll data and information is securely retained. • No unauthorised or invalid appointments have been made and 	10	Phase two (compliance) audit

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	<p>valid appointments have been correctly established.</p> <ul style="list-style-type: none"> • No unauthorised or inaccurate payments or adjustments to pay have been processed. • Staff are paid in a timely manner. • Payroll costs and deductions are correctly accounted for. 		
<p>Treasury management</p> <p><i>Quarter 4</i></p>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • The regulatory framework/ internal treasury management strategy/ policy is followed. • Treasury management reports to members are accurate and clear. • Investment and borrowing decisions are based on accurate and complete cash flow forecasting data. • There is effective scrutiny of Treasury management activity by those charged with governance. 	5	Phase two (compliance) audit
<p>Pension administration</p> <p><i>Quarter 4</i></p>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Eligible employees have been automatically enrolled into the pension scheme. • Transfers in or out of the scheme are processed promptly and correctly. • Retirement payments or death grants are subject to appropriate supervisory review and oversight during processing. • The pension administration IT system is correctly configured to support accurate calculation and payment of pensions. 	5	Phase two (compliance) audit
<i>Follow up audit activity</i>			
<p>Training, learning and development</p>	<ul style="list-style-type: none"> • Each review will incorporate a self-assessment by management of the progress made in implementing agreed actions; and • Selective test checking of controls introduced to address identified unmitigated risk. 	4	Required by the Public Sector Internal Audit Standards
<p>Rota management</p>			

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
<i>Other components of the audit plan</i>			
Management activity	<ul style="list-style-type: none"> • Attendance at meetings of the Audit Committee. • Production of the annual audit plan. • Preparation of the monitoring reports. • Preparation of the annual report of the head of internal audit. • Liaison with external audit. 	10	Compliance with the terms of the Internal Audit Charter
National Fraud Initiative	<ul style="list-style-type: none"> • Tasks associated with data preparation and submission. • Support to staff in the testing of the data matches identified. 	2	Contribution to fraud prevention
<i>Assigned days</i>		72	
Contingency	<ul style="list-style-type: none"> • These days are being held as a contingency pending the outcome of the HMICFRS inspection, scheduled for summer 2018. 	8	
<i>Approved days</i>		80	

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 22 March 2018

EXTERNAL AUDIT – AUDIT PLAN 2017/18 (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804

Executive Summary

The attached report sets out the proposed external audit plan for 2017/18.

Decision Required

The Committee are asked to agree the external audit plan for 2017/18.

Information

The external auditors are required to produce an annual audit plan, setting out the areas it intends to review during the year. The plan is attached as Appendix 1, and will be presented by the External Audit - Engagement Lead.

Financial Implications

The audit fee is £30.7k, which is in line with those previously reported and with the budget

Business Risk Implications

The external audit plan is formulated taking account of the risks faced by the Authority, and as such is designed to ensure that the external auditors review how the Authority is managing these risks.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Reason for inclusion in Part II, if appropriate:		

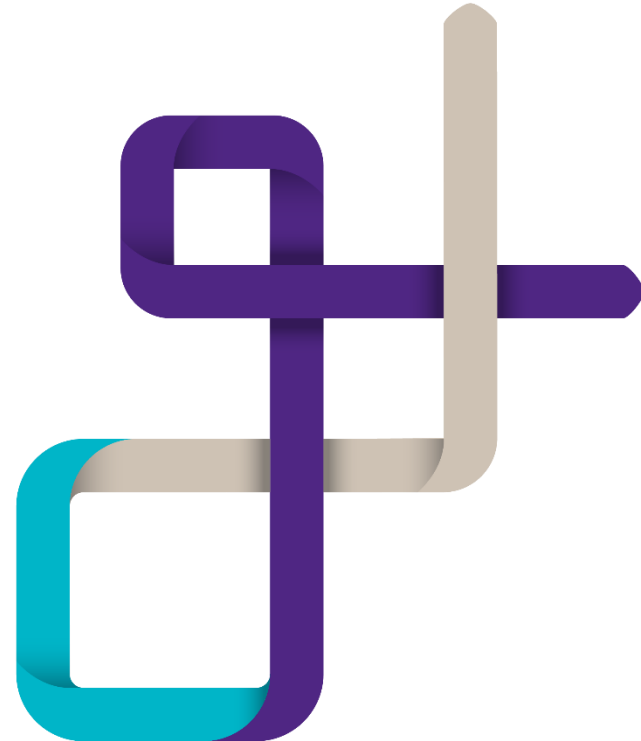
External Audit Plan

Year ending 31 March 2018

Lancashire Combined Fire Authority

28 February 2018

6
9
3
3



Contents



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Page 34

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Section

	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	7
5. Other matters	8
6. Materiality	9
7. Value for Money arrangements	10
8. Audit logistics, team & audit fees	11
9. Early close	12

Appendices

A. Revised ISAs	15
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire Combined Fire Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire Combined Fire Authority. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of property, plant and equipment
- Valuation of the net pension fund liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £919k (PY £928k), which equates to 2% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Trivial has been set at £45,950 (PY £46,400).

Value for Money arrangements

Our initial risk assessment regarding your arrangements to secure value for money has not identified any VFM significant risks. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics

We have undertaken our first interim visit in January and our next interim visit will take place in March before our final visit in June. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the Authority's audit will be no less than £30,739 (PY: £30,739).

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Page 35

Deep business understanding

Changes to service delivery

Bluelight collaboration

The provisions of the Policing and Crime Act 2017 came into effect on 3 April 2017. These provisions included:

- introducing the duty to collaborate on all three emergency services;
- enabling PCCs to take on FRA functions where a local case is made; and
- enabling PCC representation on a Fire Authority with voting rights where the Fire Authority agrees

These provisions are expected to change the structure and legal status of many police bodies and fire and rescue authorities.

IRMP and Service transformation plans

The Government is continuing to push forward with its Fire reform agenda. A number of Fire & Rescue Authorities across the country are undergoing service transformations of varying degrees. In addition there are a number of inquiries ongoing into the Grenfell Tower fire that could lead to changes in practices and working arrangements.

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to financial reporting requirements

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced minor changes to the 2017/18 Code which:

- introduce key reporting principles for the Narrative Report;
- clarify the reporting requirements for accounting policies and going concern reporting; and
- update the relevant sections regarding reporting requirements for Leases, Service Concession arrangements and Financial Instruments.

Key challenges

Financial pressures

As part of the Local Government Finance Settlement the Secretary of State announced an offer of four year funding settlements in return for publishing an efficiency plan. The provisional settlement showed a £5.5m funding reduction over the four year period. In order to meet these reductions the Authority will need to deliver against its efficiency plan and further efficiencies will need to be found in future years.

New Fire Service Inspectorate

As part of its Fire Reform agenda the Government has expanded the remit of the existing Police inspectorate to cover the role of Fire services. The newly established HMICFRS will undertake inspections of Fire services going forward and has recently announced its first three pilot sites.

Our response

- We will consider the arrangements in place to ensure value for money.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Lancashire Combined Fire Authority.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of property, plant and equipment</p>	<p>The Authority revalues its land and buildings on a five yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings and any impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Consider the competence, expertise and objectivity of any management experts used Discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding Test revaluations made during the year to ensure they are input correctly into the Authority's asset register Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of pension fund net liability</p>	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuaries who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuations are carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuaries

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Authority's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Authority's accounting policy for recognition of payroll expenditure for appropriateness • gain an understanding of the Authority's system for accounting for payroll expenditure and evaluate the design of the associated controls • Undertake a reconciliation of total payroll costs to the general ledger • Perform a substantive analytical review to identify other areas that may require additional procedures
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the accounting policies for recognition of non-pay expenditure for appropriateness • Gain and understanding of the systems for accounting for non-pay expenditure and evaluate the design of the associated controls • Obtain a listing of non-pay payments made in April and ensure a sample have been charged to the appropriate year • Review the year-end AP reconciliation and investigate any significant reconciling items
Firefighters pension scheme	<p>The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • gain an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluate the design of the associated controls • Reconcile the pension payroll to figures in the accounts • Undertake an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year with a comparison of pensions paid on a monthly basis to ensure any unusual trends are satisfactorily explained.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Authority.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Authority, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

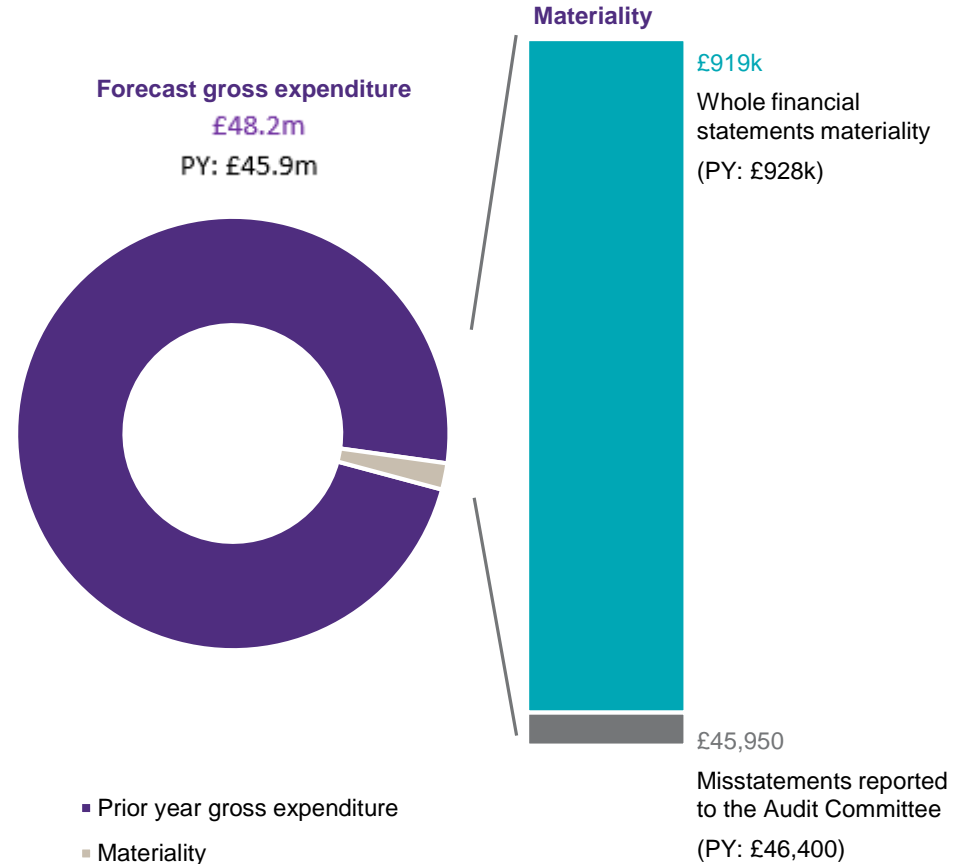
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £919k (PY £928k), which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We will reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45.95k (PY £46.4k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

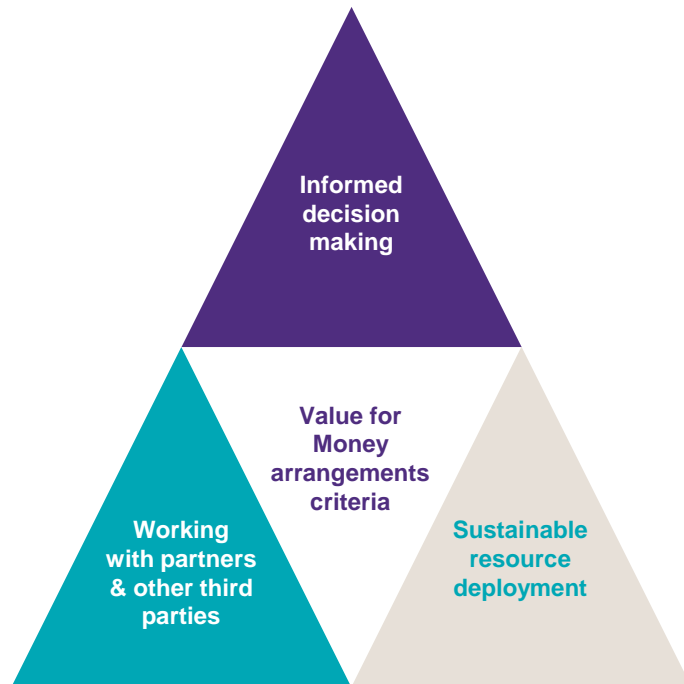
This is supported by three sub-criteria, as set out below:

Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report

Page 42



Audit logistics, team & audit fees



Robin Baker, Engagement Lead

The engagement leader is responsible for conducting the engagement in accordance with professional standards and ensuring that the response issued by the firm is appropriate. Therefore the primary responsibility for professional performance of the audit, rests with the engagement leader.



Richard Tembo, Engagement Manager

The audit manager is responsible for the day-to-day direction, supervision and performance of the audit in compliance with professional standards and applicable legal and regulatory requirements. The manager performs audit procedures, supervises others, performs on-the-job training, and reviews the documentation of the work performed.



Helen Shanley, Audit Incharge

The in-charge accountant has the primary responsibility for the conduct of the audit as outlined by the engagement leader and audit manager, in accordance with firm policies and professional standards.

Audit fees

The planned audit fees are no less than £30,739 (PY: £30,739) for the financial statements audit.

In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure you continue to:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Authority's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Authority's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 22 March 2018

CONTRACT STANDING ORDERS – PROPOSED AMENDMENTS (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services - Tel No. 01772 866804

Executive Summary

The Authority is a Contracting Authority for the purposes of the Public Contracts Regulations 2006 and is required to comply with the tendering and award of contracts procedures as set out in those regulations.

Where those regulations do not apply (for contract values below EU thresholds) the authority have their own procedures in place in the form of Contract Standing Orders. These form part of the Constitution along with Financial Regulations and the Scheme of Delegation.

These have been reviewed and updated to reflect current practices.

Recommendation

The Committee is asked to agree the revised Contract Standing Orders.

Information

In line with best practice financial regulations are reviewed on a regular basis.

A proposed revised version is attached as appendix 1, with changes highlighted.

The most significant changes are as follows:-

- Section 3.1, to update financial thresholds relating to the quotation procedure and separate out those relating to goods and services and works:-
 - this aligns better with Regional Partners, which will further strengthen our ability to complete joint contracts, increase purchasing leverage through volume and ensure best value (it is worth noting that Merseyside and Manchester still have higher thresholds than this);
 - this reflects capacity within the Service and enables functions, especially Procurement, to focus on contracts of a higher value thereby adding greater value.
- Section 5.4, to increase the threshold to £100,000 at which the Chief Fire Officer (CFO) and Treasurer can grant exemptions to the contract procedures, this ensures consistency of contract thresholds at £100,000 thereby reducing the level of confusion that currently occurs whereby three separate thresholds are in place, under the revisions the following will apply:-
 - the CFO & Treasurer can grant exemptions up to this figure, with any which exceed this requiring Authority approval;

- the CFO & Treasurer can enter into contracts up to this figure, with any which exceed this requiring Authority approval;
- any contacts which exceed this value are reported to the authority.
- Section 14.3 has been removed as all bids are submitted electronically on the procurement e-portal;
- Section 18.1 the threshold for completion of a post tender report has been increased to £100,000, in line with other contract thresholds.

Financial Implications

None directly arising from this report.

Business Risk

Contract standing orders form a key element of the control framework within which the Authority operates.

Environmental Impact

Health & Safety and Environmental considerations are taken into account during the tendering process - from the specification stage through to bid evaluation and contract award.

The Authority’s Sustainable Procurement Policy provides specific guidance to Officers on this matter.

Equality & Diversity Implications

The Contract Standing Orders require every contract to include an obligation on the contractor to promote race equality and not unlawfully treat an individual or group less favourably on grounds of colour, race, nationality, ethnic origin, gender, sexual orientation, religion or belief.

The Authority also has an Equality & Diversity in Procurement policy document which outlines the specific measures Officers should take to build Equality & Diversity issues in to all appropriate contract.

HR Implications

None identified.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact
Reason for inclusion in Part II, if appropriate:		



LANCASHIRE COMBINED FIRE AUTHORITY

CONTRACT STANDING ORDERS

CONTENTS

1. INTRODUCTION	3
2. OFFICER RESPONSIBILITIES	3
3. HOW THE AUTHORITY BUYS	5
4. COMPLIANCE WITH CONTRACT STANDING ORDERS	6
5. EXEMPTIONS TO THE CONTRACT PROCEDURES	6
6. ADVERTISING OF CONTRACTS	7
7. DEADLINES FOR RESPONDING TO ADVERTISEMENTS	8
8. PRE RFQ/TENDER REQUIREMENTS	8
9. E-TENDERING	9
10. HOW THE RFQ PROCESS WORKS	9
11. HOW THE TENDERING PROCESS WORKS.....	10
11.6 EU PROCUREMENT RULES	11
12. NEGOTIATION	12
13. INVITATION AND SUBMISSION.....	12
14. OPENING OF TENDERS AND QUOTATIONS.....	13
15. EVALUATION OF TENDERS AND QUOTATIONS.....	13
16. CLARIFICATION and NEGOTIATION.....	15
17. CONTRACT AWARD – TENDERS AND QUOTATIONS	15
18. TENDER REPORT	17
19 CORRUPT PRACTICES.....	17
20. THIRD PARTIES.....	17
21. ASSIGNMENT	17
22. SEALED CONTRACTS	17
23. TERM OF CONTRACT	18
Appendix A.....	19

CONTRACT STANDING ORDERS FOR LANCASHIRE COMBINED FIRE AUTHORITY

1. INTRODUCTION

- 1.1 There is a clear requirement for the Authority to achieve value for money. The Authority must ensure a process of openness, integrity, accountability, probity and transparency. These Contract Standing Orders have been written to ensure that this requirement is achieved for the Service. Any procurement decision must therefore be made in the context of achieving overall value for money for the Service.

These Contract Standing orders aim to explain in simple terms the rules and procedures for obtaining written quotations and competitive tenders from Suppliers for the provision of Works, Goods and Services.

Applying the Contract Standing Orders will:

- Achieve value for money;
- Adhere to legal obligations;
- Maintain standards of conduct;
- Be fair to suppliers;
- Protect officers;
- Demonstrate accountability for public money;
- Meet its corporate and directorate aims and policies; and
- Comply with the Service's Procurement Approach.

- 1.2 The Authority's constitution incorporates Financial Regulations and Financial Procedure Rules that provide a framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.
- 1.3 These Contract Standing Orders should be read in conjunction with both the Financial Regulations and the Scheme of Delegation.

2. OFFICER RESPONSIBILITIES

- 2.1 Officers must ensure that each procurement requirement is dealt with in accordance with any statutory requirements including relevant EU legislation, is within budgetary provision and is in accordance with the Constitution, these rules and all Service policies, procedures and strategies.
- 2.2 To ensure timely procurement activity, Chief Officers will delegate authority to appropriate employees within their Directorate/Services/Sections/Groups to procure on their behalf. Each Director must however provide and maintain a list of the officers authorised to initiate procurement, place orders and make payments specifying a maximum financial limit for each transaction within any pre-defined limits. The Scheme of Financial Delegation should be reviewed regularly. Officers must ensure before beginning any procurement that they have the appropriate authority to undertake it by means of delegated authority.
- 2.3 Chief Officers will ensure that all employees authorised to initiate procurement, place orders and make payments have the appropriate knowledge, skills and training to undertake the same.

Definitions:

‘Alcatel standstill period’ means the mandatory standstill period of at least ten calendar days following the notification of an award decision in a contract tendered via the Official Journal of the European Union, before the contract is signed with the successful supplier(s).

‘Authority’ means Lancashire Combined Fire Authority (CFA) Lancashire Fire and Rescue Service (LFRS).

‘Budget Holder’ means the Authority representative with budgetary responsibility.

‘CLG’ means Communities and Local Government.

‘Contract’ means the official binding agreement made between the Authority and Supplier.

‘Framework Agreement’ means an 'umbrella agreement' that sets out the terms (particularly relating to price, quality and quantity) under which individual contracts (call-offs) can be made throughout the period of the agreement (normally a maximum of 4 years).

‘Goods’ means such articles, materials or commodities as are described in the Tender Schedule or Order placed by the Authority with the Supplier.

‘ITT’ means Invitation to Tender, a formal approach to competitively obtain proposals to supply Goods, Services or Works.

‘MEAT’ means the Most Economically Advantageous Tender which considers overall cost and quality.

‘Officers’ means any member of staff within the Authority.

‘OJEU’ means the Official Journal of the European Union.

‘Order’ means the official purchase order raised by the Authority.

‘RFQ’ means Request for Quotation, the process to obtain quotes from Suppliers.

‘Services’ means the schedule of provisions as are described in the Tender Schedule or Order placed by the Authority with the Supplier for the supply of Services.

‘Supplier’ means the person, firm or company to whom a Contract is awarded and to whom an Order is addressed.

‘Tender’ means the formal competitive procurement process to obtain Goods and/or Services. The scope of the procurement process will depend on the contract value and complexity of the requirement and will be decided on a project by project basis.

‘Total Contract Value’ means the total cost of the requirement, including whole-life costing.

‘Value for money’ means the minimum purchase price and the maximum efficiency and effectiveness of the purchase.

‘Whole-life Costing’ means the total cost of ownership over the life of an asset.

3. HOW THE AUTHORITY BUYS

3.1 The appropriate procedure to be followed is based upon the total estimated value of the Contract (please note that the total value of the Contract means the value of the Contract over the total number of years it will remain in force – not just the initial purchase or annual cost).

FOR ALL GOODS & SERVICES

Under £10,000:	With the exception of public utility Services i.e. gas, electric and periodical payments may be procured using an official order.
Between £10,001 and £25,000:	At least three (3) written request for quotations (RFQ) must be requested. Procurement Department can assist.
Between £25,001 and £181,302	Procurement Department involvement is required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system is recommended.
Over £181,302:	Procurement Department involvement is required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

FOR ALL WORKS

Under £25,000:	May be procured using an official order, best value should be evidenced.
Between £25,001 and £4,551,413	Procurement Department involvement is required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system is recommended.
Over £4,551,413:	Procurement Department involvement is required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

NB: For all procurement projects with a total contract value of £25,000 and above - in the event that the minimum number of 3 responses is not received, an application for an exemption of contract procedures (as described in section 5 of these Contract Standing Orders) must be completed and approved before proceeding to Contract Award.

3.2 The RFQ or Tendering procedure will utilise market intelligence and/or Suppliers registered on the e-tendering system (and Contracts Finder where appropriate) to seek competitive bids for Goods, Services and/or Works. The Tendering procedure will necessitate a formal advertisement to be published before requesting submission of competitive bids for Goods, Services or Works.

3.3 No RFQ or Tendering procedure needs to be followed in respect of:

- Contracts for the purchase of Goods in respect of which tenders have been obtained from a purchasing consortium or other recognised Government agency Contract or Framework Agreement;

- Contracts for the supply of Goods which CLG have specified as the type of Goods which should be used for a particular purpose and only one Supplier of such Goods exists;
- Contracts for the supply of Goods or Services, the price of which is fixed by a trade organisation or government department and no reasonably suitable alternative is available;
- A Contract for the engagement of legal counsel;
- The acquisition or disposal of land.

NB: for all the above listed in 3.3 there is still the requirement to obtain best value.

3.4 A Procurement Project Initiation document must be completed for all projects over £25,000. ([Appendix A](#) refers).

3.5 Every Contract must be authorised and signed by the relevant Officer, as outlined in Section [17](#) of these Contract Standing Orders.

4. COMPLIANCE WITH CONTRACT STANDING ORDERS

Every Contract made by the Authority or on its behalf shall comply with:

- The EU Treaty and all relevant EU and domestic legislation (current and future);
- These Contract Standing Orders (current and future);
- Financial Regulations (current and future);
- The Scheme of Delegation (current and future).

In particular the Authority shall comply with the fundamental principle of equality of treatment of all Suppliers, Contractors and Service Providers.

It shall be a condition of any Contract between the Authority and anyone who is not an officer of the Authority, but who is authorised to carry out any of the Authority's Contracts functions, that they comply with these Contract Standing Orders and the Financial Regulations of the Authority as if they were an officer of the Authority.

5. EXEMPTIONS TO THE CONTRACT PROCEDURES

5.1 The Budget Holder must obtain approval to apply **ANY** exemption to procedure, with a written report identifying the justification for requesting exemption.

5.2 Exemptions to procedure may be permitted where it can be proven that it is inefficient or uneconomic to comply.

5.3 Provided that a proposed Contract award complies with national and EU legislation and any other Finance or Contract Standing Order requirement and subject to formal approval of the exemption, examples when the procedure may not apply include:

- The Goods, Services and/or Works are of a specialised nature carried out by only one firm with no reasonably satisfactory alternatives available;
- The procurement involves the purchase of proprietary or patented Goods or Services obtainable from only one Supplier; are sold at a fixed price and no reasonably satisfactory alternative is available;
- The Goods, Services and/or Works constitute an extension of an existing Contract which is allowed within the Contract terms, scope and total contract value or the Goods, Services and/or Works consist of repairs to, or the supply of parts for, existing proprietary plant or equipment.

- That new Works or Services are required which are a repetition of Works or Services carried out under an original Contract.
- That Goods are required as a partial replacement for, or addition to, existing Goods or installations and obtaining them from another source would result in issues with compatibility or disproportionate technical difficulties in operation or maintenance.
- Tenders are invited on behalf of any consortium or collaboration, of which LFRS is eligible as a member, in accordance with any method adopted by that body. Where however, an LFRS officer invites tenders on behalf of the consortium or collaborative body the receipt, opening and acceptance of tenders must comply with the LFRS Financial Regulations and Financial Procedure Rules or any overriding relevant National or European Union legislation.
- The Goods, Services and/or Works are of a sensitive nature (such as security) where publication of the tender documents would constitute a security breach and undermine the effectiveness of the final product.

NB: No exemptions will be granted which would result in a breach of European or domestic law.

5.4 For all procurement projects with a total Contract value under £100,000 the Chief Fire Officer and Treasurer/Director of Corporate Services can approve an exemption.

Any exemptions relating to procurement projects in excess of £100,000 must be approved by the Combined Fire Authority. Please refer to the table below for authorisation signatories required in regard to financial limits for exemptions:

Financial Limit	CFO	Treasurer and Executive Board	Combined Fire Authority
Under £100,000	Y	Y	
Over £100,000:			Y

6. ADVERTISING OF CONTRACTS

6.1 All Contracts to be tendered must be advertised in one or more of the following:-

- local newspaper
- appropriate trade journal
- the e-tendering system (portal)
- LFRS internet site
- Contracts Finder

6.2 All Contracts with a total contract value that exceeds EU procurement thresholds **must** be awarded in accordance with EU Procurement Rules relating to public authorities. Current thresholds are as follows:

Supplies	Services	Works
£181,302	£181,302	£4,551,413

NB: Requirements to be procured above these limits must be advertised via OJEU (Official Journal of the European Union).

- 6.3 The Procurement Department will facilitate advertisement on the North West Procurement Portal (Supply4NWFire), Contracts Finder and in the Official Journal of the European Union (OJEU).

7. DEADLINES FOR RESPONDING TO ADVERTISEMENTS

- 7.1 Deadlines must be included within advertisements in calendar days. For Contracts not requiring OJEU adverts, the **minimum** tender return time is recommended as 14 days. However more time is usually allowed, depending upon the complexity of the Contract.

For Contracts requiring OJEU adverts there are minimum EU time scales that must be adhered to. Please contact the Procurement Department who will advise and assist accordingly.

8. PRE RFQ/TENDER REQUIREMENTS

- 8.1 Before beginning any procurement process, the authorised officer responsible for the purchase must:

- Check if the required Goods, Services and/or Works can be procured in the first instance through existing Corporate Contracts. Details of current Corporate Contracts can be obtained from the Procurement Department;
- Investigate what compliant procurement method is most likely to achieve the purchasing objectives;
- Ensure that all relevant rules have been complied with, and that the proposed contract represents value for money;
- Assess the risks associated with the purchase and identify how these will be managed by LFRS and/or the Supplier;
- Ensure that evaluation criteria (how responses will be scored) have been determined in advance, as potential bidders must be made aware of all evaluation criteria when asked to submit a response.

- 8.2 Enquiries of Suppliers may be made before tender or quotations are invited in order to:

- (a) Establish whether the Goods, Services and/or Works that the Authority wishes to purchase are available and within what price range;
- (b) Establish whether particular Suppliers wish to be invited to submit a quotation or tender response, should the procurement progress.

In making enquiries:

- (a) **No** information shall be disclosed to one Supplier which is not then disclosed to all those of which enquiries are made, or which are subsequently invited to tender or quote.
- (b) **No** Supplier shall be led to believe that the information they offer will necessarily lead them to be invited to tender or quote, or awarded a contract.
- (c) A written record, including notes of any meetings held, the responses and the names of all individuals present **must** be kept on the contract file.

- 8.3 Specifications should be prepared as part of the RFQ/ITT documentation. Any technical specifications to be met by the Goods, Services and/or Works must be clearly set out in the contract documentation. The specification must stipulate exactly what is required and will vary in its content depending on the complexity of the requirement.

Where any reference to British Standards or accreditations is made within the specification, this **must** be followed by the words 'or equivalent'.

NB: The Authority is only allowed to consider bids which vary from the requirements set out in the specification if the RFQ/ITT and/or OJEU notice (where applicable) states that variants are permissible. Where variants are to be permitted the minimum requirements must be clearly detailed.

9. E-TENDERING

GOODS, WORKS AND SERVICES

- 9.1 If a Supplier wishes to be considered as a potential provider to the Authority it can register on the North West Authorities e-tendering portal (<http://www.supply4nwfire.org.uk>) at no cost to the Supplier.
- 9.2 If the Supplier is asked to submit a quotation or tender response, they will be asked to provide sufficient information for LFRS officers to conduct an evaluated assessment of their capacity to successfully undertake and deliver the requirement on behalf of the Authority.

WORKS

- 9.3 The Authority may utilise the Constructionline/Police Approved Contractors database as a pre-qualification criteria for tendered Works projects. If the Authority is seeking quotations, the nominated Supplier/Contractor will be asked to provide sufficient information for LFRS officers to conduct an assessment on their capacity to successfully undertake and deliver the requirement on behalf of the Authority.

10. HOW THE RFQ PROCESS WORKS

- 10.1 The RFQ procedure should be used for Goods and Services procurement projects with an estimated total contract value of between £10,001 and £25,000 other than referred to in 3.3: An RFQ procedure should be appropriate to the contract value and complexity of the requirement.
- 10.2 For lower value/less complex projects where a standard product or service is required, the RFQ procedure can be as simple as e-mailing three (3) suppliers requesting a price.
- 10.3 Where there is any variation in the product or service required, the RFQ procedure should include a specification (what exactly is required). The specification should incorporate the quality elements of the requirement e.g. performance targets, criteria for acceptance of the Goods, Services or Works and should be included in the RFQ documentation. The information contained in the RFQ documentation will form a part of the formal Contract or purchase order between the Authority and the awarded Supplier(s). Suppliers should be asked to complete a submission as a bidder. Bidders will submit their response based on the information provided and give contract specific proposals which will be evaluated. It is best practice to provide the bidder with a detailed explanation of how their submission will be scored and evaluated (evaluation criteria).

- 10.4 For all RFQ procedures a minimum of three (3) Suppliers must be invited to quote to ensure that best value evaluation takes place. A maximum number of Suppliers to invite to quote can be decided on a project by project basis.
- 10.5 It is best practise to keep a record of any documents or e-mails in regard to any RFQ procedure undertaken.

11. HOW THE TENDERING PROCESS WORKS

- 11.1 The tendering procedure should be used for procurement projects with an estimated total contract value between £25,001 and £181,302 for Goods and Services and between £25,001 and £4,551,413 for Works (please refer to [6.2 and 6.3](#) if the estimated total contract value is above £181,302 for Goods and Services and above £4,551,413 for Works) other than referred to in [3.3](#):
- 11.2 All tendering requirements must be advertised to ensure that the process is competitive and secures best value. Please refer to [Section 6](#).
- 11.3 The specification should incorporate performance targets and/or criteria for acceptance of the Goods, Services or Works and be included in the Invitation to Tender (ITT) documentation. The information contained in the tender documentation will form a major part of the formal Contract agreed between the Authority and the awarded Supplier(s).
- 11.4 The main two methods of tendering through advertisement utilising the e-tendering portal are:
- Open Competitive Tendering - This is a one-stage process, where all interested Suppliers responding to an advertisement may submit a tender. There is no restriction or selection process prior to the dispatch of tenders. The Contract Notice will be advertised on www.supply4nwfire.org.uk as well as on Business Links 'Contracts Finder' and OJEU when applicable. The advertisement will state how interested Suppliers may obtain tender documents and the last date that tender responses must be received. The Open Procedure may not be suitable where it is anticipated that there may be a large number of potential Suppliers interested in bidding for the Contract. The Open Procedure is most suitable for the procurement of non-specialist Goods such as stationery, cleaning materials, paper etc. The selection stage and the award stage are undertaken simultaneously.
 - Restricted Tendering (utilising a Pre-Qualification Questionnaire (PQQ) or Constructionline in the case of Works) – NOT TO BE USED FOR PROCUREMENT PROJECTS UNDER EU THRESHOLDS i.e. under £181,302. This is a two-stage process in which potential Suppliers expressing an interest in bidding for a specific Contract are evaluated first (pre-qualified). If a Pre-Qualification Questionnaire is used, the Contract Notice will be advertised on www.supply4nwfire.org.uk as well as on Business Links 'Contracts Finder' and maximum timescales for completing the process are mandatory. The advertisement will state how interested parties can obtain a Pre-Qualification Questionnaire (PQQ) and the last date by which completed PQQ responses must be received. A shortlist is then drawn up from the evaluation of the PQQ responses for the sole purpose of inviting a reduced number of Suppliers to submit a tender response (bid). The considerations at PQQ stage are those matters which are relevant to the performance of the contract (e.g. financial capability, technical knowledge, expertise

and capacity). There can be no consideration of the suppliers' proposals as to *how* the contract would be delivered - it is an evaluation of the organisation's capability.

- 11.5 For procurement projects with an estimated total contract value between £25,001 and £181,302 for Goods and Services and between £25,001 and £4,551,413 for Works a minimum of three (3) invitations to tender must be sent to ensure that a Best Value evaluation can take place.

If the estimated total contract value is above £181,302 for Goods and Services and above £4,551,413 for Works a minimum of 5 invitations to tender must be sent to ensure that a Best Value evaluation can take place.

A maximum number of Suppliers to invite to tender can be decided on a project by project basis. In the event that the minimum number of 3 responses is not received, an application for an exemption of contract procedures (as described in [section 5](#) of these Contract Standing Orders) must be completed and approved before proceeding to Contract Award.

11.6 EU PROCUREMENT RULES

Where the estimated total value of a Contract exceeds, or is within 10% of the relevant EU threshold (as set out above), the procurement must be conducted in accordance with the appropriate EU Procurement Rules and the appropriate UK guidelines. The application of the EU Procurement Rules and the appropriate UK guidelines cannot be waived by the Authority.

Use of the Negotiated, Accelerated and Urgency procedures under the EU Procurement Rules must be documented and agreed with the Director of Corporate Services before any procedure commences. The Negotiated and/or The Competitive Dialogue and/or The Competitive Dialogue with Negotiation procedures are three additional routes to market but must only be used in exceptional cases where advice has been sought from the Procurement Department.

- Negotiated Procedure - The Procurement department will publicise the Authority's intention to seek offers in relation to the contract by advertising in the OJEU a formal Contract Notice inviting requests to be selected to negotiate. The negotiated procedure may be used in limited circumstances and only where the competitive dialogue procedure is inappropriate. In certain limited circumstances the negotiated procedure may be used without prior publication of a Contract Notice. In those circumstances, an exemption will be required.
- Competitive Procedure - The competitive dialogue procedure is to be used where the Authority wishes to award a particularly complex Contract and the open or restricted procedure will not allow the award of that Contract.

A particularly complex Contract means a Contract where it is not possible to define the technical means capable of satisfying the Authority's needs or objectives or to objectively specify the legal or financial make up of a project or both.

The Procurement department will publicise the Authority's intention to seek offers in relation to the Contract by advertising in the OJEU a formal Contract Notice inviting requests to be selected to participate.

Invitations must be sent simultaneously to each Supplier selected to participate in the dialogue.

The Authority may provide for the competitive dialogue procedure to take place in successive stages by applying the award criteria as defined in the Contract Notice.

The Procurement department will ensure that the number of suppliers invited to participate in the final stage is sufficient to ensure genuine competition.

The Authority may continue competitive dialogue until one or more solutions have been identified.

When each dialogue has been concluded, each participant must submit a final tender containing all elements required and necessary for successful delivery of the project.

NB: Framework Agreements - Central and Local Government, Consortia and other legally procured Framework Agreements may be accessed without the need to undertake a formal tender process as described above.

The framework agreement must name the Authority to allow them to utilise the agreement and must adhere to the principles of these Rules. The specification must encompass the Service's requirements. Typically Framework agreements must be for a maximum of four years. Further guidance on the use of Framework Agreements is available via the Procurement Department.

12. NEGOTIATION

12.1 Negotiation of Quotations/Tenders must only take place when the RFQ/ITT documents state that a negotiated procedure will be used and that the Authority reserves the right to enter into post tender negotiations on any aspect of the Quotation/Tender.

12.2 Any discussion with a Supplier to discuss their submission, should:

- Be undertaken only by the Procurement representative in the presence of at least one officer from another department, not involved in the procurement project (the independent observer);
- All negotiation must be conducted in a manner which provides and maintains the highest levels of probity;
- A written record of all discussions and negotiation is maintained by the Procurement representative, and verified by the independent observer;
- At the conclusion of negotiations each Supplier who has provided a quotation must be invited to submit a best and final quotation/tender response.

13. INVITATION AND SUBMISSION

13.1 Instructions must be issued to those Suppliers invited to submit a quotation or tender response, asking them to complete and return the required documents by a specified date and time. These documents will usually contain the following information:

- Letter of invitation and instructions about the process;
- Form of tender;
- Specification and/or schedule of rates;
- Contract conditions or conditions of purchase;
- Any relevant supporting information (maps etc.);
- Bids must be evaluated on the basis of Quality and Price and the tender documentation must specify the criteria and methodology for evaluation.

NB: The Procurement Department is responsible for making arrangements to receipt, store and open tender documents.

- 13.2 Both tender and quotation responses **MUST** be returned by the date and time specified. Late tender and quotation responses should be rejected unless it is proven that the reason for the late submission was due to technical failure of the portal.
- 13.3 The RFQ/ITT submission as an electronic file(s) containing the relevant documents must be delivered to the designated e-tendering system by bidders prior to the stated closing date and time.
- 13.4 It is important that Suppliers are given sufficient time to adequately research and compile their submission. This includes allowing enough time to seek accurate estimates from their sub-contractors (if applicable). The Authority's minimum time scale for the return of priced responses (where the total contract value is under £181,302) is 14 days from date of issue, although best practice suggests that at least 21 days should be allowed.
- 13.5 The specified time to submit tenders/quotations may be extended in exceptional circumstances provided that all Suppliers involved in the process are notified of the revised date and time and no potential Supplier is disadvantaged by the deadline extension.
- 13.6 Submissions will be securely held unopened within the e-tendering system and cannot be accessed or opened until after the specified opening date and time. The system will hold each submission unopened with no reference to the contents of the response. An activity log within the system provides a full audit trail logging any activity (accessing or viewing) and records the name of the person, date and time and the activity undertaken.

14. OPENING OF TENDERS AND QUOTATIONS

- 14.1 After the designated deadline stipulated for submission of responses, the Procurement Department will co-ordinate the opening of all submissions which will be retained in a virtual 'locked box' until the designated opening time.
- 14.2 All tender responses via the e-portal must be opened by the Procurement Department. A representative from the budget holders department can also attend if they wish to.

15. EVALUATION OF TENDERS AND QUOTATIONS

- 15.1 An evaluation must be made of all tender or quotation responses by an evaluation panel. The number of people on the evaluation panel will be a minimum of two (2) but can vary depending on the type and complexity of the Contract.
- 15.2 The evaluation will include a comparison of the tender sum against the estimate for the Goods, Services or Works prepared in advance of the Suppliers being invited to tender/quote. Where errors or discrepancies are found that may affect the tender/quote sum, the Supplier may be notified in writing and afforded an opportunity to confirm the submitted sum without amendment, amend their bid to correct an arithmetical error, or withdraw their bid. A written record of any revisions or withdrawals must be maintained.

- 15.3 The Authority will evaluate and award Contracts to the Supplier(s) it considers offers the best value having regard to both price and quality factors. This is referred to as the 'most economically advantageous tender' (MEAT) and provides for the Contract to be awarded to the Supplier best able to meet the Authority's requirement, specification and budget.
- 15.4 To ensure fairness, the evaluation criteria and methodology must be clearly defined in the RFQ/ITT documentation. Criteria will vary depending on the type and complexity of the Contract.
- 15.5 Selection Criteria;
Financial viability and stability - The following criteria (set out in Public Contracts Regulations 23, 24, 25 and 26) may be used to draw up the shortlist of those who will be invited to tender:
- Suppliers who have, or whose directors have been convicted of certain offences listed in Public Contracts Regulation 23 are ineligible to submit bids and must not be included in the short list;
 - The Authority can (but does not have to) refuse to shortlist businesses which are insolvent, have been convicted of a criminal offence relating to the running of the business, or have committed grave misconduct in the running of the business.
 - Businesses can be excluded if they have not paid all their taxes or social security contributions.

The Authority is allowed to request evidence from prospective bidders to allow them to assess whether any of the above factors apply.

The Authority may also make an assessment of bidders' economic and financial standing by taking into account all or any of the following:-

- Statements from the bidders' bankers or evidence of relevant professional indemnity insurance;
- Published accounts where publication of such accounts are a legal requirement;
- A statement covering the two (2) previous financial years setting out the overall turnover of the bidder's business and the turnover in respect of the Goods or Services being provided.

NB: Where the tender value is for £50,000 or more it is required that one of the following information is obtained in respect of all tender responses:

- The Authority's internal financial appraisal of the tender responses;
- An independent financial appraisal supplied by a business information service.

Technical or professional ability - can only be assessed against the criteria set out in the Regulations.

- Technical suitability;
- Experience and past performance – capability (SQ)

- 15.6 Award Criteria – Must include both cost and quality i.e. the most economically advantageous tender (MEAT).
 MEAT is used to assess the content of the RFQ/Tender response and include (but not be limited to):
- Quality systems;
 - Technical merit;
 - Customer care, technical assistance and after sales service;
 - Aesthetic and functional characteristics;

- Delivery date and other management factors;
- Commitment to Equality & Diversity and Sustainability;
- Social value;
- Price, Value for money and whole life costings;
- Security of Supply;
- Interoperability and operational characteristics.

The criteria to be used to evaluate bids and the weightings attached to them, or if weightings cannot be established, their relative importance, must be set out in the RFQ/ITT. However, it is not possible to take into account tenderer's experience, staffing levels, equipment or ability to perform the contract within a set timescale. These factors can only be considered at selection stage (SQ).

NB: where the award is based solely on price (only for under EU threshold procurement projects) the contract must be awarded to the bidder offering the lowest price unless it is made clear in its invitation to tender that it reserves the right not to award the contract at all.

16. CLARIFICATION and NEGOTIATION

- 16.1 After the receipt of responses, officers may need to contact bidders to clarify technical and contractual information as part of the evaluation process. Any such communication must be confidential and a written record made of the reason for contact and the outcome.
- 16.2 Any negotiation with a bidder to specifically discuss the pricing submitted in their tender response should:
- Be undertaken only by the Procurement representative in the presence of at least one officer who isn't involved in the project (the Independent Observer). All negotiations must be conducted confidentially and in a manner which provides equal opportunity for all Suppliers who have provided responses and which maintains the highest levels of probity;
 - At the conclusion of negotiations each Supplier must be invited to submit a best and final price.
- 16.3 Where post-tender negotiation results in a fundamental change in specification (or contract terms) the contract must not be awarded and must be re-tendered.

17. CONTRACT AWARD – TENDERS AND QUOTATIONS

- 17.1 The award of a Contract to the successful Supplier(s) must be conditional upon the tender costs being within budgetary limits and subject to the appropriate approval being granted to proceed.
- 17.2 For all Procurement projects in excess of £100,000 approval must be sought in writing from the Authority to award the Contract. (Page 3 of [Appendix A](#)).
- 17.3 For Contracts valued at over £50,000, approval from the Director of Corporate Services must be sought where the recommended quotation/tender exceeds the pre-quotation/tender estimate by more than £10,000, providing explanations as to the robustness of the original estimate
- 17.4 The successful Supplier(s) should be notified promptly in writing following acceptance of the tender or quote response and the Contract must be issued to the

Supplier with a formal request to sign and return 2 copies. On receipt of the signed Contracts from the Supplier, the Authority will sign the Contract to form the legally binding agreement, returning one copy to the Supplier(s).

17.5 Authorised signatories to award Contracts are outlined in the table below (on the basis that the relevant managers have been consulted with):

Financial Limit	Dept. Head	Relevant Director	Treasurer	Authority
Up to £50,000	Y			
£50,001 - £100,00	Y	Y		
Over £100,000	Y	Y	Y	Y

NB: For all Contracts over £100,000 approval is sought from the Authority yet authorisation to sign is delegated to the Treasurer/Director of Corporate Services.

17.6 All participants in any procurement undertaken in accordance with EU Procurement regulations must be notified in writing as soon as possible after the successful bidder(s) has been chosen with the following information:

- The criteria for the award of the contract;
- The reason for the decision, including the characteristics and relative advantages of the successful tender;
- The score (if any) obtained by the bidder to whom the notice is addressed and that of the successful bidder;
- Any reason why the unsuccessful bidder did not meet the technical specifications;
- The name of the successful bidder.

Information may be withheld if disclosure would:

- Impede law enforcement;
- Otherwise be contrary to public interest;
- Prejudice the legitimate commercial interests of any economic operator; or
- Might prejudice fair competition.

NB: For any procurement undertaken in accordance with EU Procurement regulations there is the requirement to inform all the Suppliers involved in the procurement of the intention to award a Contract and this is subject to a minimum 10 day standstill period. This period is referred to as the 'Alcatel Standstill' period and provides the opportunity for Suppliers unsuccessful in the procurement to request debrief information and to potentially challenge the decision formally before a Contract is signed.

A formal contract award notice must be published in OJEU within 48 days of the award of the contract.

17.7 All unsuccessful Suppliers should be notified of the outcome of the procurement promptly in writing providing the reasons for elimination from the process.

17.8 After formal approval of the award of a Contract and in exceptional circumstances, and with the approval of the Director of Corporate Services, a letter of intent can be issued to allow Work to commence in advance of drawing up and signing of the final Contract, but in such circumstances the issue of the formal Contract must follow without undue delay.

17.9 All submissions and supporting documentation for any procurement should be retained for seven (7) years from the commencement of the Contract by the Procurement Department, before being destroyed.

18. TENDER REPORT

18.1 Following completion of the evaluation of responses to an opportunity with a value above £100,000, a tender evaluation report must be completed. The report will validate best practice and the requirements of the Authority's Financial Regulations and Financial Procedure Rules.

19 CORRUPT PRACTICES

19.1 In every written Contract a clause must be inserted to ensure that the Authority is entitled to terminate the Contract and recover from the Supplier the amount of any loss resulting from such termination, if the Supplier has:

- Offered, given or agreed to give to any person a gift or consideration of any kind as an inducement or reward for doing or not doing anything related to the Contract or any other Contract with the Authority;
- For favouring or not favouring any person in relation to a Contract, by any person employed by the Supplier or acting on their behalf;
- The Supplier, or any person employed by them or acting on their behalf, has committed an offence under the Bribery Act (2010) or any amendment of the Act;
- Shall have given any fee or reward, the receipt of which is an offence under the Local Government Act 1972.

19.2 All Authority members and officers must comply with the Authority's anti-fraud/ anti-bribery policies and relevant codes of conduct.

20. THIRD PARTIES

20.1 In cases where a third party, such as a local authority, private architect or consultant is employed to act for the Authority in the carrying out of Works or purchase of supplies, it shall be a term of their appointment that they shall:

- Observe or otherwise secure the observance of the procedures prescribed within these Contract Standing Orders;
- Produce on demand, all records maintained by them in relation to the Contract; and
- On completion of a Contract, transmit all such records to the Procurement department.

21. ASSIGNMENT

21.1 In every written Contract for the execution of Works or the supply of Goods or Services the Supplier shall be prohibited from transferring or assigning or novating directly or indirectly to any person or persons whatever, any portion of that Contract without the written permission of the Authority. Sub-letting, other than that which may be customary in the trade concerned, shall be prohibited.

22. SEALED CONTRACTS

22.1 All Contracts and orders shall be in writing and made in the name of the Authority.

22.2 All Contracts which relate to the purchase of land, or have potential long term liabilities and would benefit from the added legal protection afforded by the process of sealing shall be made by affixing the Common Seal. This shall only be attested by the Clerk to the Authority, the Authority solicitor, the CFO (Chief Fire Officer), DoCS (Director of Corporate Services) or DoPD (Director of People and Development).

23. TERM OF CONTRACT

23.1 The term of a Contract may be extended with the approval of the budget holder if there is provision within the Contract Terms and Conditions to extend and the agreement of the Director of Corporate Services has been given with regards to budgetary provision. If the Contract has already been extended to the full extent within the provisions of the existing Contract, it cannot be extended further.

24.2 If there is no provision within the Contract Terms and Conditions for the Contract to be extended the approval of the Clerk to the Authority, and the Treasurer must be sought to any proposed extension of the term of the Contract and a record kept of the reasons.

24.3 The Contract term cannot be extended where this would result in the total contract value exceeding the European procurement thresholds.

24.4 In order to avoid any issues with the above it is best practice to ensure that Contracts are re-tendered in line with these Contract Standing Orders well in advance of their completion date.



Appendix A

PROCUREMENT PROJECT INITIATION

Financial Thresholds for Procurement

This form requires completion, and must be kept on Procurement Department files for all Contracts with a value exceeding £25,000.

NB: Total of full contract value must be understood before the procurement commences. (i.e. The total value payable by LFRS over the period of the Contract, including maintenance costs or licensing costs which are payable in addition to the purchase of the Goods, Services and/or Works).

No Contract should be split artificially to avoid application of standing orders. All formal Contracts should be notified to the Procurement Department for registration on the Contracts Register

To be completed by the budget holder

Name of Project: _____

Project Lead: _____

Estimated cost: _____

Can this estimated cost be met from existing, approved budget? Y/N

Time scale for delivery: _____

Signature of Director:
(only required for contracts valued over £50,000) _____

Tender reference: _____

Procurement lead: _____

Details of Quotes/Tenders received

Supplier details (incl. full postal address)	Date of Quote/Tender	Quote/Tender price (£)	Overall score awarded (RFQ/Tenders only)

Proposed Supplier: _____

Proposed value of Order/Contract £ _____

Proposed Order/Contract Award Date: _____

Proposed Duration of Contract: _____

Contract Award Approval

Authorising Officer Levels are detailed in the table below. The appropriate officer(s) are required to sign this document, prior to Contract Award, in the space provided below:

Financial Limit	Dept. Head	Relevant Director	Treasurer	Authority
Up to £50,000	Y			
£50,001 - £100,00	Y	Y		
Over £100,000	Y	Y	Y	Y

Department Head

Name _____

Signature _____

Relevant Director

Name _____

Signature _____

Treasurer

Name _____

Signature _____

Authority

Name _____

Signature _____

This completed Appendix A must be submitted to the Contract signatory, with the Contract documents. On receipt of the signed Contract documents, the Procurement Department will retain this Appendix A on the Contract file.

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 22 March 2018

FINANCIAL REGULATIONS – PROPOSED AMENDMENTS (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services - Tel No. 01772 866804

Executive Summary

The attached Financial Regulations set out the way in which the Authority governs the internal management of its finances.

These have been reviewed and updated to reflect current practices.

Decision Required

The Committee is asked to agree the revised Financial Regulations.

Information

In line with best practise financial regulations are reviewed on a regular basis.

A proposed revised version is attached as appendix 1, with changes highlighted.

The most significant changes are as follows:-

- Section B2 updated to reflect the fact that the medium term financial strategy is incorporated into the annual revenue budget;
- Section C4 updated to reflect the reporting cycle for the corporate risk register and the removal of department risk registers;
- Section 1.41 updated to reflect changing deadlines for the production and approval of the accounts;
- Section 2.57 increase threshold for reporting progress on capital contracts to Resources Committee to £100,000 (standardize contract thresholds at £100,000);
- Section 3.82 and 3.84 increase thresholds for Authority approval to £10,000 (standardize thresholds at £10,000);
- Section 3.91-3.93 updated to reflect disposal arrangements for fire appliances, where it is proposed to either:-
 - dispose of these, at below market value, for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service;
 - or to crush/sell them as scrap in order to minimize the risk of them being bought at auction and used inappropriately, thereby minimizing any reputational risk.
- Section 4.25 and 4.26 increase thresholds for Authority approval to £10,000 (standardize thresholds at £10,000);

- Section 4.55 and 4.70 increase threshold for reporting progress on contracts to Resources Committee to £100,000 (standardize contract thresholds at £100,000).

Financial Implications

None

Business Risk

The Financial Regulations form a key element of the control framework within which the Authority operates.

Environmental Impact

None

Equality & Diversity Implications

None

HR Implications

None

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact
Reason for inclusion in Part II, if appropriate:		

LANCASHIRE COMBINED FIRE AUTHORITY



FINANCIAL REGULATIONS

CONTENTS

- 1 Background
- 2 Status of Financial Regulations
- 3 Financial Regulations

- A: Financial Management
- B: Financial Planning
- C: Risk Management and Control of Resources
- D: Systems and Procedures
- E: External Arrangements

APPENDICES: Financial Procedures

APPENDIX A: Financial Management
Financial Management Standards
Managing Expenditure
Accounting Policies
Accounting Records and Returns
The Annual Statement of Accounts

APPENDIX B: Financial Planning
Performance Plans
Budgeting
Maintenance of Reserves

APPENDIX C: Risk Management and Control of Resources
Risk Management
Internal Controls
Audit Requirements
Preventing Fraud and Corruption
Assets
Treasury Management
Staffing

APPENDIX D: Financial Systems and Procedures
General
Income and Expenditure
Taxation
Trading Accounts and Business Units

APPENDIX E: External Arrangements
Partnerships
External Funding
Work for Third Parties

FINANCIAL REGULATIONS FOR LANCASHIRE COMBINED FIRE AUTHORITY

INTRODUCTION

- 1.1 The Authority's governance structure is laid down in its Standing Orders, which sets out how the Authority operates, how decisions are made and the procedures that are followed.
- 1.2 Financial Regulations provide the framework for managing the Authority's financial affairs. They apply to every member and officer of the Authority and anyone acting on its behalf.
- 1.3 The Regulations identify the financial responsibilities of the Authority, the Chief Fire Officer, the Clerk/Monitoring Officer, the Treasurer/Director of Corporate Services and other members of the Senior Management Team (SMT). SMT Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers references to the SMT officer in the Regulations should be read as referring to them.
- 1.4 All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.5 The Treasurer/Director of Corporate Services is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Authority for approval. The Treasurer/Director of Corporate Services is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Authority.
- 1.6 The Authority's detailed financial procedures, setting out how the Regulations will be implemented, are contained in the appendices to the Financial Regulations.
- 1.7 SMT Officers and budget managers are responsible for ensuring that all staff in their departments are aware of the existence and content of the Authority's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.
- 1.8 The Treasurer/Director of Corporate Services is responsible for issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the Authority are required to follow. He is also responsible for ensuring that adequate training is available to allow SMT Officers and managers to comply with their duties.

FINANCIAL REGULATION A: FINANCIAL MANAGEMENT

INTRODUCTION

- A.1 Financial management covers all financial accountabilities in relation to the running of the Authority, including the policy framework and budget.

THE AUTHORITY

- A.2 The Authority is responsible for approving the policy framework and budget within which the Authority operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability and control. The framework is set out in its Standing Orders. The Authority is also responsible for monitoring compliance with the agreed policy and related decisions.
- A.3 The Authority is responsible for approving procedures for the delegation of powers to committees and officers and recording and reporting decisions taken. These delegations and details of who has responsibility for which decisions are set out in the scheme of delegation and powers and duties of committees contained within the Authority's Procedural Standing Orders/Committee Terms of Reference.
- A.4 The Authority is ultimately responsible for ensuring that the financial management arrangements and systems of internal controls are adequate and effective, and will amongst other things:
- Appoint a responsible financial officer (Treasurer)
 - Approve the financial control framework, including financial regulations
 - Set a budget and agree a precept
 - Review spending against budget, and take appropriate action where required
 - Monitor financial outcomes
 - Determine an affordable borrowing limit having regard to the Prudential code for Capital Finance in Local Authorities
 - Approve the Statement of Accounts and publish it with an Annual Governance Statement
 - Maintain an adequate and effective system of internal audit of its accounting records and systems of internal control
 - Adopt a member code of conduct

THE STATUTORY OFFICERS

CHIEF FIRE OFFICER (AND CHIEF EXECUTIVE)

- A.5 The Chief Fire Officer is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Authority and its committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

CLERK AND MONITORING OFFICER

- A.6 The Clerk/Monitoring Officer and is responsible for promoting and maintaining high standards of member conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Authority, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.7 The Monitoring Officer must ensure that Authority decisions and the reasons for them are made public. He or she must also ensure that members are aware of decisions made by the Authority, its committees and of those made by officers who have delegated responsibility.
- A.8 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A.9 The Monitoring Officer is responsible for advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.10 The Monitoring Officer (together with the Treasurer/Director of Corporate Services) is responsible for advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- Initiating a new policy
 - Committing expenditure in future years to above the budget level
 - Incurring interdepartmental transfers above virement limits
 - Causing the total expenditure financed from council tax, grants and Corporately held reserves to increase, or to increase by more than a specified amount.

TREASURER/DIRECTOR OF CORPORATE SERVICES

- A.11 The Treasurer/Director of Corporate Services has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 73 and 105(1) of the Local Government Act 1985
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 2015
- A.12 The Treasurer/Director of Corporate Services has a statutory responsibility to:
- Ensure the proper administration of the Authority's financial affairs.
 - Nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties.
 - Ensure that adequate systems and procedures exist to account for all income due and expenditure made and that controls operate to protect the Authorities assets from loss, waste, fraud or other impropriety.
 - Report to the Authority and/or external auditor if it appears that the Authorities expenditure is likely to exceed available resources.

- Report to the Authority and/or external auditor any decisions or actions made or taken (or about to be made or taken) which involves incurring unlawful expenditure.
- Produce the Statement of Accounts in accordance with appropriate codes of practice and reporting standards.
- Report to the Authority on the robustness of the estimates produced for the purpose of budget calculations and the adequacy of reserves.
- Report to the Authority where reserves are likely to be inadequate, outlining the reasons and the actions to be taken.
- Ensure that all matters required to be taken into account in respect of the Prudential Code for Capital Finance in Local Authorities are reported to the Authority for consideration.
- Establish procedures to monitor and report performance against all prudential indicators.

A.13 The Treasurer/Director of Corporate Services has delegated responsibility, under the Accounts and Audit Regulations, to maintain a continuous adequate and effective internal audit of the Authorities accounting, financial and other processes, including the approval of the strategic and annual audit plans.

A.14 The Treasurer/Director of Corporate Services is the Authorities professional adviser on financial matters, which involves a responsibility to:

- Provide financial advice to the Authority on all aspects of its activity, including the budget, strategic planning and policy making process
- Advise the Authority on financial propriety
- Ensure that accurate financial is provided to the Authority
- Prepare statutory and other accounts
- Make all banking arrangement
- Provide a treasury management function
- Advise on security of assets including risk management and insurance
- Determine issue and receive the precept

SENIOR MANAGEMENT TEAM (SMT)

A15 Officers on the SMT are responsible for ensuring that Authority members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Treasurer/Director of Corporate Services.

A16 It is the responsibility of SMT Officers to consult with the Treasurer/Director of Corporate Services and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

VIREMENT

A.17 The Authority is responsible for agreeing procedures for virement of expenditure between budget headings.

A.18 SMT Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Treasurer/Director of Corporate Services where required. They must notify the Treasurer/Director of Corporate Services of all virements.

TREATMENT OF YEAR- END BALANCES

- A.19 The Authority is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.

ACCOUNTING POLICIES

- A.20 The Treasurer/Director of Corporate Services is responsible for selecting accounting policies and ensuring that they are applied consistently.

ACCOUNTING RECORDS AND RETURNS

- A.21 The Treasurer/Director of Corporate Services is responsible for determining the accounting procedures and records for the Authority.

THE ANNUAL STATEMENT OF ACCOUNTS

- A.22 The Treasurer/Director of Corporate Services is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)* (CIPFA/LASAAC). The Authority is responsible for approving the annual statement of accounts.

FINANCIAL REGULATION B: FINANCIAL PLANNING

INTRODUCTION

B.1 The Authority is responsible for agreeing the policy framework and budget. In terms of financial planning, the key elements are:

- The corporate plan/IRMP (Integrated Risk Management Plan)
- The budget
- The capital programme

POLICY FRAMEWORK

B.2 The Authority is responsible for approving the policy framework and budget. The policy framework comprises the following plans and strategies:

- Revenue budget (incorporating the Medium term financial strategy)
- Capital programme
- Treasury management policy statement and strategy
- Integrated risk management plan (IRMP)

B.3 The Authority is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Authority by the Monitoring Officer.

B.4 The Authority is responsible for setting the level at which officers may reallocate budget funds from one service to another. SMT Officers are responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Authority.

PREPARATION OF THE CORPORATE PLAN/INTEGRATED RISK MANAGEMENT PLAN

B.5 The Chief Fire Officer is responsible for proposing the corporate plan/IRMP to the Authority for approval.

BUDGETING

BUDGET FORMAT

B.7 The general format of the budget will be approved by the Authority on the advice of the Treasurer/Director of Corporate Services. The draft budget should include allocation to different services and projects, proposed precept and business rates charges and contingency funds.

BUDGET PREPARATION

B.8 The Treasurer/Director of Corporate Services is responsible for ensuring that a revenue budget is prepared on an annual basis and a three-year medium term financial strategy is incorporated into this for consideration by the Authority. The Authority may amend the budget before approving it.

- B.9 The Treasurer/Director of Corporate Services is responsible for issuing guidance on the general content of the budget in consultation with the Chief Fire Officer as soon as possible following approval by the Authority.
- B.10 It is the responsibility of SMT Officers to ensure that budget estimates reflecting agreed service plans are submitted and that these estimates are prepared in line with guidance issued.

BUDGET MONITORING AND CONTROL

- B.11 The Treasurer/Director of Corporate Services is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Authority on the overall position on a regular basis.
- B.12 It is the responsibility of SMT Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Treasurer/Director of Corporate Services. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Treasurer/Director of Corporate Services to any problems.
- B.13 The Treasurer/Director of Corporate Services is responsible for regularly reporting to the Authority on expenditure against budget allocations and in the event that expenditure cannot be contained within the overall budget allocation.

RESOURCE ALLOCATION

- B.14 The Treasurer/Director of Corporate Services is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Authority's policy framework.

PREPARATION OF THE CAPITAL PROGRAMME

- B.15 The Treasurer/Director of Corporate Services is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Authority.
- B.16 The Treasurer/Director of Corporate Services must assess the affordability of the proposed capital programme and advise the authority in setting an affordable borrowing limit in accordance with the Prudential Code for Capital Finance in Local Authorities.
- B.17 The Treasurer/Director of Corporate Services is responsible for regularly reporting to the Authority on expenditure compare to the approved capital programme.

MAINTENANCE OF RESERVES

- B.18 It is the responsibility of the Treasurer/Director of Corporate Services to advise the Authority on prudent levels of reserves for the Authority.

FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

RISK MANAGEMENT

- C.2 The Authority is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management.
- C.3 The Treasurer/Director of Corporate Services is responsible for preparing the Authority's risk management policy statement, for promoting it throughout the Authority.
- C.4 SMT members are responsible for reviewing risks, developing appropriate risk management controls in their own areas of responsibility..
- C5 The Treasurer/Director of Corporate Services is responsible for maintaining a corporate risk register, and reporting this to the Audit Committee at least annually.
- C6 The Treasurer/Director of Corporate Services is responsible for advising the Authority on insurance matters and is responsible for ensuring that proper insurance cover exists and that adequate resources are available to fund uninsured risks.

INTERNAL CONTROL

- C.6 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- C.7 The Treasurer/Director of Corporate Services is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.8 It is the responsibility of SMT Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.
- C.9 The Treasurer/Director of Corporate Services and Chief Fire Officer must ensure that the system of internal control is reviewed at least annually and that an Annual Governance Statement is submitted to the Authority for approval and inclusion in the Statement of Accounts.

AUDIT REQUIREMENTS

- C.10 The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to maintain an adequate and effective internal audit.
- C.11 Public Sector Audit Appointments Ltd is responsible for appointing external auditors to each local Authority. The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014.
- C.12 The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs (HMRC), who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.13 The Clerk/Monitoring Officer (in consultation with the Treasurer/Director of Corporate Services) is responsible for the development and maintenance of an anti-fraud and whistle-blowing policy.
- C.14 SMT Officers must ensure that disposals and write-offs of redundant/surplus assets, stock and inventory are actioned in accordance with financial procedures.

ASSETS

- C.15 SMT Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

TREASURY MANAGEMENT

- C.16 The Authority has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.17 The Authority is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's *Code of Practice for Treasury Management in Local Authorities*. The Treasurer/Director of Corporate Services has delegated responsibility for implementing and monitoring the statement.
- C.18 All money in the hands of the Authority is controlled by the officer designated for the purposes of section 73 and 105(1) of the Local Government Act 1985, referred to in the code as the Director of Corporate Services.
- C.19 The Treasurer/Director of Corporate Services is responsible for reporting to the Authority a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- C.20 All executive decisions on borrowing, investment or financing shall be delegated to the Treasurer/Director of Corporate Services, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- C.21 The Treasurer/Director of Corporate Services is responsible for reporting to the Authority on the activities of the treasury management operation; one such report will comprise an annual report on treasury management for presentation by 30 June of the succeeding financial year.

STAFFING

- C.22 The Authority is responsible for determining how officer support for executive and non-executive roles within the Authority will be organised.
- C.23 The Chief Fire Officer is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- C.24 SMT Officers are responsible for controlling total staff numbers by:
- Advising the Authority on the budget necessary in any given year to cover estimated staffing levels.
 - Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.
 - The proper use of appointment procedures.

FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

- D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

- D.2 The Treasurer/Director of Corporate Services is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by SMT Officers to the existing financial systems or the establishment of new systems must be approved by the Treasurer/Director of Corporate Services. However, SMT Officers are responsible for the proper operation of financial processes in their own departments.
- D.3 Any changes to agreed procedures by SMT Officers to meet their own specific service needs should be agreed with the Treasurer/Director of Corporate Services.
- D.4 SMT Officers should ensure that their staff receive relevant financial training that has been approved by the Treasurer/Director of Corporate Services.
- D.5 SMT Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. SMT Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

INCOME AND EXPENDITURE

- D.6 It is the responsibility of SMT Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the SMT officer's behalf in respect of payments, income collection and placing orders, together with the limits of their Authority. The Authority is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND MEMBERS

- D.7 The Director of People and Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members. He or she is also responsible for the payment of pensions to retired firefighters.

TAXATION

- D.8 The Treasurer/Director of Corporate Services is responsible for advising SMT Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.
- D.9 The Treasurer/Director of Corporate Services is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

TRADING ACCOUNTS/BUSINESS UNITS

- D.10 It is the responsibility of the Treasurer/Director of Corporate Services to advise on the establishment and operation of trading accounts and business units.

FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS

INTRODUCTION

- E.1 The Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well being of its area.

PARTNERSHIPS

- E.2 The Authority is responsible for approving delegations, including a Partnership Protocol for partnerships. The Authority is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3 The Authority can delegate functions – including those relating to partnerships – to officers. These are set out in the Authority scheme of delegation. Where functions are delegated, the responsible officer remains accountable for them to the Authority.
- E.4 The Monitoring Officer and Treasurer/Director of Corporate Services are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.
- E.5 The Treasurer/Director of Corporate Services must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6 SMT Officers are responsible for ensuring that risks relating to significant partnership working has been properly assessed and that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- E.7 SMT Officers are responsible for evaluating the contribution of partnership working to the achievement of the Authority objectives

EXTERNAL FUNDING

- E.8 The Treasurer/Director of Corporate Services is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

WORK FOR THIRD PARTIES

- E.9 SMT Officers are responsible for approving the contractual arrangements for any work for third parties or external bodies, subject to any advice provided by the Treasurer/Director of Corporate Services following advice.

APPENDICES

FINANCIAL PROCEDURES

FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT STANDARDS

WHY IS THIS IMPORTANT?

- 1.01 All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

KEY CONTROLS

- 1.02 The key controls and control objectives for financial management standards are:
- a) Their promotion throughout the Authority
 - b) A monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Authority.

RESPONSIBILITIES OF THE TREASURER/ DIRECTOR OF CORPORATE SERVICES

- 1.03 To ensure the proper administration of the financial affairs of the Authority.
- 1.04 To act as the Authority's professional advisor on financial matters, including the budget, financial planning, strategy and policy making.
- 1.05 To ensure that all reports to the Authority have full and clear financial implications identified.
- 1.06 To set the financial management standards and to monitor compliance with them.
- 1.07 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Authority.
- 1.08 To advise on the key strategic controls necessary to secure sound financial management.
- 1.09 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

RESPONSIBILITIES OF SMT OFFICERS

- 1.10 To promote the financial management standards set by the Treasurer/Director of Corporate Services in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Treasurer/Director of Corporate Services.
- 1.11 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

MANAGING EXPENDITURE

SCHEME OF VIREMENT

WHY IS THIS IMPORTANT?

- 1.12 The scheme of virement is intended to enable the SMT Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Authority, and therefore to optimise the use of resources.

KEY CONTROLS

- 1.13 Key controls for the scheme of virement are:
- a) It is administered by the Treasurer/Director of Corporate Services within guidelines set by the Authority. Any variation from this scheme requires the approval of the Authority.
 - b) The overall budget is approved by the Authority. SMT Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the approved estimates report.
 - c) Virement does not create additional overall budget liability. SMT Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. SMT Officers must plan to fund such commitments from within their own budgets.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 1.14 To issue instructions and guidelines to all budget managers in order that the scheme of virement can operate within the policies set by the Authority
- 1.15 To issue documentation for completion by budget holders for the satisfactory management control of the virement process.
- 1.16 To prepare jointly with the SMT Officer a report to the Authority where virements in excess of £150,000 are proposed.

RESPONSIBILITIES OF SMT OFFICERS

- 1.17 Virements can be exercised within the limits shown below, subject to the provisions in paragraphs 1.18 to 1.20 below:

Limit	Department Head	Director	Chief Fire Officer	Treasurer/Director of Corporate Services	Authority
Up to £50,000	Y				
£50,000-£100,000	Y	Y			
£100,000-£150,000	Y	Y	Y	Y	
Over £150,000	Y	Y	Y	Y	Y

- 1.18 The prior approval of the Authority is required for any virement, of whatever amount, where it is proposed to change Authority policy.
- 1.19 Virement that is likely to impact on the level of service activity of another SMT Officer should be implemented only after agreement with the relevant SMT Officer.
- 1.20 No virement relating to a specific financial year should be made after 31 March in that year.
- 1.21 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established

TREATMENT OF YEAR-END BALANCES

WHY IS THIS IMPORTANT?

- 1.22 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.
- 1.23 These are administered by the Treasurer/Director of Corporate Services within guidelines set by the Authority. Any variation from the scheme requires the approval of the Authority.

KEY CONTROLS

- 1.24 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 1.25 To approve carry forward requests of up to £100,000 in respect of specific items of expenditure. Such sums to be included in specific earmarked reserves and included in the Statement of Accounts.
- 1.26 To administer the scheme of carry-forward within the guidelines approved by the Authority.

- 1.27 To report all overspendings and underspendings on service estimates carried forward to the executive and to the Authority.

RESPONSIBILITIES OF SMT OFFICERS

- 1.28 Any overspending on service estimates in total on budgets must be carried forward to the following year, and will constitute the first call on service estimates in the following year. The Treasurer/Director of Corporate Services will report the extent of overspendings carried forward to the Authority.
- 1.29 Net underspendings on service estimates under the control of the SMT Officer may be carried forward, subject to:
- a) 50% of the underspend being transferred to general reserves.
 - b) A maximum limit of £25,000, any carry forward in excess of this requires approval of Treasurer/Director of Corporate Services.
 - c) An annual review of the reasonableness of individual balances created this way

ACCOUNTING POLICIES

WHY IS THIS IMPORTANT?

- 1.30 The Treasurer/Director of Corporate Services is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC), for each financial year ending 31 March.

KEY CONTROLS

- 1.31 The key controls for accounting policies are:
- a) Systems of internal control are in place that ensure that financial transactions are lawful.
 - b) Suitable accounting policies are selected and applied consistently.
 - c) Proper accounting records are maintained.
 - d) Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 1.32 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:
- a) Separate accounts for capital and revenue transactions.
 - b) The basis on which debtors and creditors at year end are included in the accounts.
 - c) Details on substantial provisions and reserves
 - d) Non-current assets
 - e) Depreciation
 - f) Capital charges
 - g) Work in progress
 - h) Stocks and stores
 - i) Deferred charges
 - j) Government grants

- k) Leasing
- l) Pensions

RESPONSIBILITIES OF SMT OFFICERS

- 1.33 To adhere to the accounting policies and guidelines approved by the Treasurer/Director of Corporate Services.

ACCOUNTING RECORDS AND RETURNS

WHY IS THIS IMPORTANT?

- 1.34 Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

KEY CONTROLS

- 1.35 The key controls for accounting records and returns are:
- a) All members, finance staff and budget managers operate within the required accounting standards and timetables.
 - b) All the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
 - c) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
 - d) Reconciliation procedures are carried out to ensure transactions are correctly recorded.
 - e) Prime documents are retained in accordance with legislative and other requirements.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 1.36 To determine the accounting procedures and records for the Authority. Where these are maintained outside the finance department, the Treasurer/Director of Corporate Services should consult the SMT Officer concerned.
- 1.37 To arrange for the compilation of all accounts and accounting records under his or her direction, including statistical and government returns.
- 1.38 To comply, as far as practicable, with the following principles when allocating accounting duties:
- a) Separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them.
 - b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
 - c) Where such arrangements are not practical alternative controls must be agreed with the Treasurer/Director of Corporate Services.

- 1.39 To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2015.
- 1.40 To ensure that all claims for funds including grants are made by the due date.
- 1.41 To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Authority to approve the statement of accounts in line with statutory deadlines.
- 1.42 To administer the Authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- 1.43 To ensure the proper retention of financial documents in accordance with all legal requirements and as set out in the Authority's document retention schedule.

RESPONSIBILITIES OF SMT OFFICERS

- 1.44 To consult and obtain the approval of the Treasurer/Director of Corporate Services before making any changes to accounting records and procedures.
- 1.45 To comply with the principles outlined in paragraph 1.38 above when allocating accounting duties.
- 1.46 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.47 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Treasurer/Director of Corporate Services.
- 1.48 To ensure that all claims for funds, including grant funds, are made by the due date.

THE ANNUAL STATEMENT OF ACCOUNTS

WHY IS THIS IMPORTANT?

- 1.49 The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Authority is responsible for approving the statutory annual statement of accounts.

KEY CONTROLS

- 1.50 The key controls for the annual statement of accounts are:
 - a) The Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Treasurer/Director of Corporate Services.
 - b) The Authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 1.51 To select suitable accounting policies and to apply them consistently.

- 1.52 To make judgements and estimates that are reasonable and prudent.
- 1.53 To comply with the Code, financial reporting standards and Accounts and Audit Regulations.
- 1.54 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 20xx.
- 1.55 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- 1.56 To liaise with external auditors during the audit of accounts.

RESPONSIBILITIES OF SMT OFFICERS

- 1.57 To comply with accounting guidance provided by the Treasurer/ Director of Corporate Services and to supply the Treasurer/Director of Corporate Services with information when required.

FINANCIAL PLANNING

PERFORMANCE PLANS

WHY IS THIS IMPORTANT?

2.01 The Authority has a statutory responsibility to publish various performance plans such as the risk management plans. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. .

KEY CONTROLS

2.02 The key controls for performance plans are:

- a) To ensure that all relevant plans are produced and that they are consistent.
- b) To produce plans in accordance with statutory requirements to meet the timetables set.
- c) To ensure that all performance information is accurate, complete and up to date.
- d) To provide improvement targets which are meaningful, realistic and challenging.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

2.03 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

2.04 To contribute to the development of corporate and service targets and objectives and performance information.

RESPONSIBILITIES OF THE DIRECTOR OF SERVICE DELIVERY

2.05 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

2.06 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

RESPONSIBILITIES OF SMT OFFICERS

2.07 To contribute to the development of performance plans in line with statutory requirements.

2.08 To contribute to the development of corporate and service targets and objectives and performance information.

BUDGETING

FORMAT OF THE BUDGET

WHY IS THIS IMPORTANT?

- 2.09 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

KEY CONTROLS

- 2.10 The key controls for the budget format are:
- a) The format complies with all legal requirements.
 - b) The format complies with CIPFA's *Service Reporting Code of Practice (SeRCOP)*.
 - c) The format reflects the accountabilities of service delivery.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 2.11 To advise the Authority on the format of the budget that is approved.

RESPONSIBILITIES OF SMT OFFICERS

- 2.12 To comply with accounting guidance provided by the Treasurer/Director of Corporate Services.

REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

WHY IS THIS IMPORTANT?

- 2.13 Budget management ensures that once the budget has been approved by the Authority, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.14 By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 2.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the SMT Officer's scheme of delegation.

KEY CONTROLS

- 2.16 The key controls for managing and controlling the revenue budget are:
- a) Budget managers should be responsible only for income and expenditure that they can influence.
 - b) There is a nominated budget manager for each cost centre heading.
 - c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
 - d) Budget managers follow an approved certification process for all expenditure.
 - e) Income and expenditure are properly recorded and accounted for.
 - f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget, e.g. by budgetary virement

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 2.17 To establish an appropriate framework of budgetary management and control that ensures that:
- a) Budget management is exercised within annual cash limits unless the Authority agrees otherwise.
 - b) Each SMT Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
 - c) Expenditure is committed only against an approved budget head.
 - d) All officers responsible for committing expenditure comply with relevant guidance, Contract Standing Orders and the Financial Regulations.
 - e) Each cost centre has a single named manager, determined by the relevant SMT Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
 - f) Significant variances from approved budgets are investigated and reported by budget managers regularly.
- 2.18 To administer the Authority's scheme of virement.
- 2.19 To submit reports to the Authority, in consultation with the relevant SMT Officer, where a SMT Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.20 To prepare and submit reports on the Authority's projected income and expenditure compared with the budget on a regular basis.

RESPONSIBILITIES OF SMT OFFICERS

- 2.21 To maintain budgetary control within their departments, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the SMT Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

- 2.23 To ensure that spending remains within the Service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.25 To prepare and submit to the Authority reports on projected expenditure compared with its budget, in consultation with the Treasurer/Director of Corporate Services.
- 2.26 To ensure prior approval by the Authority for new proposals* of whatever amount, that:
- a) Create financial commitments in future years.
 - b) Change existing policies, initiate new policies or cease existing policies.
 - c) Materially extend or reduce the Authority's services.
- *A report on new proposals should explain the full financial implications, following consultation with the Treasurer/Director of Corporate Services. Unless the Authority has agreed otherwise, SMT Officers must plan to contain the financial implications of such proposals within their cash limit*
- 2.27 To ensure compliance with the scheme of virement.
- 2.28 To agree with the relevant SMT Officer where it appears that a budget proposal, including a virement proposal may impact materially on another service area or SMT Officer's level of service activity.

BUDGETS AND MEDIUM-TERM PLANNING

WHY IS THIS IMPORTANT?

- 2.29 The Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Authority's plans and policies.
- 2.30 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Authority. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.
- 2.31 Medium-term planning (the Authority has adopted a five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

KEY CONTROLS

- 2.32 The key controls for budgets and medium-term planning are:
- a) Specific budget approval for all expenditure.
 - b) Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Authority for their budgets and the level of service to be delivered.

- c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 2.33 To prepare and submit reports on budget prospects for the executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Authority, and after consultation with SMT Officers.
- 2.35 To prepare and submit reports to the Authority on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.36 To advise on the medium-term implications of spending decisions.
- 2.37 To encourage the best use of resources and value for money by working with SMT Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.38 To advise the Authority on proposals in accordance with his or her responsibilities under section 73 of the Local Government Act 1985.

RESPONSIBILITIES OF SMT OFFICERS

- 2.39 To prepare estimates of income and expenditure, in consultation with the Treasurer/Director of Corporate Services, to be submitted to the Authority.
- 2.40 To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the Authority. The format should be prescribed by the Treasurer/Director of Corporate Services in accordance with the Authority's general directions.
- 2.41 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.42 In consultation with the Treasurer/Director of Corporate Services and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.
- 2.43 When drawing up draft budget requirements, to have regard to:
 - a) Spending patterns and pressures revealed through the budget monitoring process.
 - b) Legal requirements.
 - c) Policy requirements as defined by the Authority in the approved policy framework.
 - d) Initiatives already under way.

RESOURCE ALLOCATION

WHY IS THIS IMPORTANT?

2.44 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

KEY CONTROLS

2.45 The key controls for resource allocation are:

- a) Resources are acquired in accordance with the law and using an approved authorisation process.
- b) Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for.
- c) Resources are securely held for use when required.
- d) Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

2.46 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

2.47 To assist in the allocation of resources to budget managers.

RESPONSIBILITIES OF SMT OFFICERS

2.48 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

2.49 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

CAPITAL PROGRAMMES

WHY IS THIS IMPORTANT?

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

2.51 The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

KEY CONTROLS

2.52 The key controls for capital programmes are:

- a) Specific approval by the Authority for the programme of capital expenditure.
- b) Expenditure on capital schemes is subject to the approval of the Treasurer/Director of Corporate Services.
- c) A capital scheme appraisal, including links to Authority objectives, associated risks, cost estimates including associated revenue expenditure, is prepared for each capital project prior to inclusion in the programme, this requires the approval of the relevant Director.
- d) Approval by the Authority where capital schemes are to be financed from the revenue budget.
- e) Proposals for improvements and alterations to buildings must be approved by the appropriate SMT Officer.
- f) Schedules for individual schemes within the overall capital programme approved by the Authority must be submitted to the Executive Board for approval, or under other arrangements approved by the Authority.
- g) The development and implementation of asset management plans.
- h) Accountability for each proposal is accepted by a named manager.
- i) Monitoring of progress in conjunction with expenditure and comparison with approved budget.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 2.53 To prepare capital estimates jointly with SMT Officers and to report them to the Authority for approval. The Treasurer/Director of Corporate Services will make recommendations on the capital estimates and on any associated financing requirements to the Authority. Authority approval is required where a SMT Officer proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- 2.54 To prepare and submit reports to the executive on the projected income, expenditure and resources compared with the approved estimates.
- 2.55 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Treasurer/Director of Corporate Services, having regard to Government regulations and accounting requirements.
- 2.56 To provide advice to allow responsible officers to obtain authorisation from the Authority for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the agreed criteria set out in section 2.63
- 2.57 To report progress on capital contracts valued in excess of £100,000 to Resources Committee (this only relates to the capital element of any contract not any on-going revenue costs associated with-it, such as ICT licenses and support)

RESPONSIBILITIES OF SMT OFFICERS

- 2.58 To comply with guidance concerning capital schemes and controls issued by the Treasurer/Director of Corporate Services.

- 2.59 To ensure that, where appropriate, all capital proposals have undergone a project appraisal in accordance with guidance issued by the Treasurer/Director of Corporate Services.
- 2.60 To prepare a quarterly return of progress to date and estimated final costs of schemes in the approved capital programme for submission to the Treasurer/Director of Corporate Services and relevant Director.
- 2.61 To ensure that adequate records are maintained for all capital contracts.
- 2.62 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Treasurer/Director of Corporate Services, where required.
- 2.63 Where variations in estimated/contract costs occur the following shall apply:

Cumulative Variance	Action
Less than £10,000 or 5%, whichever is the greater	Retrospective notification to Treasurer/Director of Corporate Services and relevant Director. No requirement to report to the Authority. (Where costs cannot be contained within overall capital programme or through an additional revenue contribution to the capital programme prior approval of the Authority is required)
Between £10,000 and £25,000 or 5% and 10%, whichever is the greater	Report to Treasurer/Director of Corporate Services and relevant Director to seek approval, before any cost increases incurred. (Where costs cannot be contained within overall capital programme or through an additional revenue contribution to the capital programme prior approval of the Authority is required)
Between £25,000 and £50,000 or 10% and 15%, whichever is the greater	Report to Executive Board to seek approval, before any cost increases incurred. (Where costs cannot be contained within overall capital programme or through an additional revenue contribution to the capital programme prior approval of the Authority is required)
Over £50,000 or 15%, whichever is the greater	Approval required from the Authority before any cost increases incurred, other than in exceptional circumstances when the delay incurred would, in the option of the CFO & Treasurer/Director of Corporate Services, be impractical in which case this must be reported retrospectively to the Authority

(Note, the approval by either Executive Board or the Authority means that all variations to date are incorporated into the revised contract sum. For the purpose of monitoring/reporting of future variations the cumulative value of variations begins again at zero)

- 2.64 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Treasurer/Director of Corporate Services and, if applicable, approval of the scheme through the capital programme.

MAINTENANCE OF RESERVES

WHY IS THIS IMPORTANT?

- 2.65 The Authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

KEY CONTROLS

- 2.66 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC) and agreed accounting policies.
- 2.67 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.68 Authorisation and expenditure from reserves by the appropriate SMT Officer in consultation with the Treasurer/Director of Corporate Services.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 2.69 To advise the Authority on prudent levels of reserves for the Authority, and to take account of the advice of the external auditor in this matter.

RESPONSIBILITIES OF SMT OFFICERS

- 2.70 To ensure that resources are used only for the purposes for which they were intended.

RISK MANAGEMENT AND CONTROL OF RESOURCES

RISK MANAGEMENT

WHY IS THIS IMPORTANT?

- 3.01 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 3.02 It is the overall responsibility of the Authority to approve the risk management strategy, and to promote a culture of risk management awareness throughout the Authority.

KEY CONTROLS

- 3.03 The key controls for risk management are:
- a) Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority.
 - b) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
 - c) Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
 - d) Provision is made for losses that might result from the risks that remain.
 - e) Procedures are in place to investigate claims within required timescales.
 - f) Acceptable levels of risk are determined and insured against where appropriate.
 - g) The Authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 3.04 To prepare and promote the Authority's risk management policy statement/strategy.
- 3.05 To develop risk management controls in conjunction with other SMT Officers.
- 3.06 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

RESPONSIBILITIES OF SMT OFFICERS

- 3.07 To notify the Treasurer/Director of Corporate Services immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by those officers or the Authority's insurers.
- 3.08 To take responsibility for risk management, having regard to advice from the Treasurer/Director of Corporate Services and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 3.09 To ensure that there are regular reviews of risk within their departments.
- 3.10 To notify the Treasurer/Director of Corporate Services promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurance's.
- 3.11 To consult the Treasurer/Director of Corporate Services and the Clerk on the terms of any indemnity that the Authority is requested to give.
- 3.12 To ensure that employees, or anyone covered by the Authority's insurance's, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

INTERNAL CONTROLS

WHY IS THIS IMPORTANT?

- 3.13 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.14 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.15 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 3.16 The system of internal controls is established in order to provide measurable achievement of:
 - a) Efficient and effective operations
 - b) Reliable financial information and reporting
 - c) Compliance with laws and regulations
 - d) Risk management

KEY CONTROLS

- 3.17 The key controls and control objectives for internal control systems are:
 - a) Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively.

- b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in CIPFA's *Public Sector Internal Audit Standards* and with any other statutory obligations and regulations.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

3.18 To assist the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

3.19 To prepare the Annual Governance Statement for approval by the Authority.

RESPONSIBILITIES OF SMT OFFICERS

3.20 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

3.21 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Treasurer/Director of Corporate Services. SMT Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.22 To ensure staff have a clear understanding of the consequences of lack of control.

AUDIT REQUIREMENTS

INTERNAL AUDIT

WHY IS THIS IMPORTANT?

3.23 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015, more specifically require that a “relevant Authority shall maintain an adequate and effective system of internal audit of their accounting records and financial control systems”.

3.24 Accordingly, internal audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

KEY CONTROLS

3.25 The key controls for internal audit are:

- a) That it is independent in its planning and operation.
- b) The internal audit service has direct access to the Chief Fire Officer, all levels of management and directly to elected members.
- c) The internal auditors comply with CIPFA's *Public Sector Internal Audit Standards*.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

3.26 To ensure that internal auditors have the authority to:

- a) Access Authority premises at reasonable times.
- b) Access all assets, records, documents, correspondence and control systems.
- c) Receive any information and explanation considered necessary concerning any matter under consideration.
- d) Require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control.
- e) Access records belonging to third parties, such as contractors, when required.
- f) Directly access the Chief Fire Officer, the Authority and its members.

3.27 To submit to the Authority for approval the strategic and annual audit plans, which take account of the characteristics and relative risks of the activities involved.

3.28 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

RESPONSIBILITIES OF SMT OFFICERS

3.29 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

3.30 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

3.31 To consider and respond promptly to recommendations in audit reports.

3.32 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

3.33 To notify the Treasurer/Director of Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the SMT Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

3.34 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the head of internal audit prior to implementation.

EXTERNAL AUDIT

WHY IS THIS IMPORTANT?

- 3.35 The Local Audit and Accountability Act 2014 set up Public Sector Audit Appointments Ltd, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.36 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. In particular, part 5 of the 2014 Act requires the Comptroller and Auditor General of the National Audit Office to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice sets out the auditor's objectives to review and report upon:
- a) The financial aspects of the audited body's corporate governance arrangements.
 - b) The audited body's financial statements.
 - c) Aspects of the audited body's arrangements to manage its performance.
- 3.37 The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

KEY CONTROLS

- 3.38 External auditors are appointed by Public Sector Audit Appointments Ltd. The National Audit Office prepares a code of audit practise, which external auditors follow when undertaking their audit.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 3.39 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 3.40 To ensure there is effective liaison between external and internal audit.
- 3.41 To work with the external auditor and advise the Authority and SMT Officers on their responsibilities in relation to external audit.

RESPONSIBILITIES OF SMT OFFICERS

- 3.42 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 3.43 To ensure that all records and systems are up to date and available for inspection.

PREVENTING FRAUD AND CORRUPTION

WHY IS IT THIS IMPORTANT?

- 3.44 The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.

- 3.45 The Authority's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.46 The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

KEY CONTROLS

- 3.47 The key controls regarding the prevention of financial irregularities are that:
- a) The Authority has an effective anti-fraud and whistle-blowing policy and maintains a culture that will not tolerate fraud or corruption.
 - b) All members and staff act with integrity and lead by example.
 - c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
 - d) High standards of conduct are promoted amongst members as required in the Member Code of Conduct
 - e) The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded.
 - f) Whistle blowing procedures are in place and operate effectively legislation including the Public Interest Disclosure Act 1998 is adhered to.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 3.48 To develop and maintain an anti-fraud and whistle-blowing policy.
- 3.49 To maintain adequate and effective internal control arrangements.
- 3.50 To ensure that all suspected irregularities are reported to the Head of Internal Audit, the Chief Fire Officer, the Clerk and the Authority as appropriate.

RESPONSIBILITIES OF SMT OFFICERS

- 3.51 To ensure that all suspected irregularities are reported to the Treasurer/Director of Corporate Services or the Clerk
- 3.52 To instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.53 To ensure that where financial impropriety is discovered, the Treasurer/Director of Corporate Services is informed, and, in consultation with the Head of Internal Audit, where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 3.54 To ensure compliance with the Employee Code of Conduct and maintain a departmental register of both financial and non-financial interests declared by the employees which they consider could bring them into conflict with the Authority's interests.
- 3.55 To retain a record of gifts and hospitality received in accordance with the Code of Conduct and the relevant service order.

3.56 To ensure that the register of interests is kept up to date.

ASSETS

SECURITY

WHY IS THIS IMPORTANT?

3.57 The Authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper accounting and sound asset management.

KEY CONTROLS

3.58 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- a) Resources are used only for the purposes of the Authority and are properly accounted for.
- b) Resources are available for use when required
- c) Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits.
- d) An asset register is maintained for the Authority, assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location and condition of the asset
- e) All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- f) All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer and internet security policies.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

3.59 To ensure that an asset register is maintained in accordance with good practice for all non-current assets. The function of the asset register is to provide the Authority with information about non-current assets so that they are:

- a) Safeguarded
- b) Used efficiently and effectively
- c) Adequately maintained

3.60 To receive the information required for accounting, costing and financial records from each SMT Officer.

3.61 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).

RESPONSIBILITIES OF SMT OFFICERS

- 3.62 The appropriate SMT Officer shall maintain a property database for all land and property currently owned or used by the Authority. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.63 To ensure that lessees and other prospective occupiers of Authority land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the SMT Officer in consultation with the Treasurer/Director of Corporate Services and legal services, has been established as appropriate.
- 3.64 To ensure the proper security of all buildings and other assets under their control
- 3.65 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the SMT Officer and the Treasurer/Director of Corporate Services.
- 3.66 To pass title deeds to the appropriate officer, who is responsible for custody of all title deeds.
- 3.67 To ensure that no Authority asset is subject to personal use by an employee without proper Authority.
- 3.68 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- 3.69 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Treasurer/Director of Corporate Services.
- 3.70 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.71 To consult the Treasurer/Director of Corporate Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.72 To ensure cash holdings on premises are kept to a minimum.
- 3.73 To ensure that keys to safes and similar receptacles are held securely, loss of any such keys must be reported to the Treasurer/Director of Corporate Services as soon as possible.
- 3.74 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Treasurer/Director of Corporate Services, the SMT agrees otherwise.
- 3.75 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Treasurer/Director of Corporate Services.
- 3.76 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

INVENTORIES

- 3.77 To maintain inventories and record an adequate description of furniture, fittings and equipment valued at £1,000 or more.
- 3.78 To carry out an annual check of all items on the inventory in order to verify location, review, and condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.
- 3.79 To make sure that property is only used in the course of the Authority's business, unless the SMT Officer concerned has given permission otherwise.

STOCKS AND STORES

- 3.80 To make arrangements for the care and custody of stocks and stores in the department.
- 3.81 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.82 To investigate and seek approval to remove from the Authority's records (i.e. write off) discrepancies as necessary from the Treasurer/Director of Corporate Services, or to obtain Authority approval if they are in excess of £10,000.
- 3.83 To authorise or write off disposal of redundant stocks and equipment (following approval by the Treasurer/Director of Corporate Services). Procedures for disposal of such stocks and equipment, valued in excess of £1,000, should be by competitive quotations or auction, unless, following consultation with the Treasurer/Director of Corporate Services, the officer decides otherwise in a particular case. The most appropriate means of disposal should be used for stocks and equipment valued at less than £1,000, as determined by the Head of Procurement.
- 3.84 To seek the approval of the Authority to the write-off of redundant stocks and equipment in excess of £10,000.

INTELLECTUAL PROPERTY

WHY IS THIS IMPORTANT?

- 3.85 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- 3.86 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

KEY CONTROLS

- 3.87 In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Authority's approved intellectual property procedures. Guidance may be sought from the Head of Procurement.

RESPONSIBILITIES OF SMT OFFICERS

- 3.88 To ensure that controls are in place to ensure that staff do not carry out private work in Authority time and that staff are aware of an employer's rights with regard to intellectual property.
- 3.89 To develop and disseminate good practice through the Authority's intellectual property procedures.

ASSET DISPOSAL

WHY IS THIS IMPORTANT?

- 3.90 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Authority.

KEY CONTROLS

- 3.91 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price is obtained, bearing in mind other factors, such as environmental issues or reputational issues. For items of significant value, disposal should be by competitive tender or public auction.
- 3.92 Fire appliances will be disposed of for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service, at, or below, market value, or crushed and sold as scrappage (subject to the appliance having a market value of less than £10,000).
- 3.93 Procedures protect staff involved in the disposal from accusations of personal gain.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 3.94 To provide guidance on best practice for disposal of assets.
- 3.95 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

RESPONSIBILITIES OF SMT OFFICERS

- 3.96 To seek advice from procurement on the disposal of surplus or obsolete materials, stores or equipment.
- 3.97 To ensure that income received for the disposal of an asset is properly banked and coded.

TREASURY MANAGEMENT

WHY IS THIS IMPORTANT?

- 3.98 Many millions of pounds pass through the Authority's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Authority's capital sum.

KEY CONTROLS

- 3.99 That the Authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Authority's treasury management strategy.

RESPONSIBILITIES OF TREASURER/DIRECTOR OF CORPORATE SERVICES – TREASURY MANAGEMENT AND BANKING

- 3.100 To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Authority's treasury management strategy.
- 3.101 To report the following to the Authority, as a minimum:
- a) An annual treasury management strategy, before the commencement of the new financial year.
 - b) A mid-year update on treasury management activity
 - c) An annual report on treasury management activity in the preceding year, before 30 June.
 - d) The outcome of any debt restructuring undertaken.
- 3.102 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Treasurer/Director of Corporate Services. All arrangements for the opening of bank accounts in the name of the Authority and for the ordering and issue of cheques shall be made by the Treasurer/Director of Corporate Services. All cheques drawn on behalf of the Authority shall be signed by the Treasurer/Director of Corporate Services or by such officers as may be nominated by him for that purpose. Any indemnity required by the Authority's bankers regarding the signature of cheques by a computer or mechanical means, or where the services of a security firm are used for the deposit or receipt of cash at the bank shall be given by the Treasurer/Director of Corporate Services on behalf of the Authority.

RESPONSIBILITIES OF SMT OFFICERS – TREASURY MANAGEMENT AND BANKING

- 3.103 To follow guidance provided by the Treasurer/Director of Corporate Services on banking arrangements

RESPONSIBILITIES OF TREASURER/DIRECTOR OF CORPORATE SERVICES – INVESTMENTS AND BORROWING

- 3.104 To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Authority.
- 3.105 To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate SMT Officer.
- 3.106 To effect all borrowings in the name of the Authority.
- 3.107 To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.

RESPONSIBILITIES OF SMT OFFICERS – INVESTMENTS AND BORROWING

- 3.108 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Authority, following consultation with the Treasurer/Director of Corporate Services.

RESPONSIBILITIES OF SMT OFFICERS – TRUST FUNDS AND FUNDS HELD FOR THIRD PARTIES

- 3.109 To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Treasurer/Director of Corporate Services, unless the deed otherwise provides.
- 3.110 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Treasurer/Director of Corporate Services, and to maintain written records of all transactions
- 3.111 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES – IMPREST ACCOUNTS

- 3.112 To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount of £50 per transaction, other than in circumstance agreed by the Treasurer/Director of Corporate Services
- 3.113 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 3.114 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

RESPONSIBILITIES OF SMT OFFICERS – IMPREST ACCOUNTS

- 3.115 To ensure that employees operating an imprest account:
- a) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
 - b) Make adequate arrangements for the safe custody of the account.
 - c) Produce upon demand by the Treasurer/Director of Corporate Services cash and all vouchers to the total value of the imprest amount.
 - d) Record transactions promptly.
 - e) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
 - f) Provide the Treasurer/Director of Corporate Services with a certificate of the value of the account held at 31 March each year.
 - g) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.

- h) On leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Treasurer/Director of Corporate Services for the amount advanced to him or her.

STAFFING

WHY IS THIS IMPORTANT?

3.116 In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

KEY CONTROLS

3.117 The key controls for staffing are:

- a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched.
- b) Procedures are in place for forecasting staffing requirements and cost.
- c) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the Authority
- d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

3.118 To ensure that budget provision exists for all existing and new employees.

3.119 To act as an advisor to SMT Officers on areas such as National Insurance and pension contributions, as appropriate.

RESPONSIBILITIES OF SMT OFFICERS

3.120 To produce an annual staffing budget.

3.121 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

3.122 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

3.123 To ensure that the staffing budget is not exceeded without due Authority and that it is managed to enable the agreed level of service to be provided.

3.124 To ensure that the Treasurer/Director of Corporate Services is immediately informed if the staffing budget is likely to be materially over - or underspent.

FINANCIAL SYSTEMS AND PROCEDURES

GENERAL

WHY IS THIS IMPORTANT?

- 4.01 Departments have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.02 The Treasurer/Director of Corporate Services has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

KEY CONTROLS

- 4.03 The key controls for systems and procedures are:
- a) Basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated.
 - b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
 - c) Early warning is provided of deviations from target, plans and budgets that require management attention.
 - d) Operating systems and procedures are secure.
 - e) Appropriate segregation of duties.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 4.04 To make arrangements for the proper administration of the Authority's financial affairs, including to:
- a) Issue advice, guidance and procedures for officers and others acting on the Authority's behalf.
 - b) Determine the accounting systems, form of accounts and supporting financial records.
 - c) Establish arrangements for audit of the Authority's financial affairs.
 - d) Approve any new financial systems to be introduced
 - e) Approve any changes to be made to existing financial systems.

RESPONSIBILITIES OF SMT OFFICERS

- 4.05 To ensure that accounting records are properly maintained and held securely.
- 4.06 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Treasurer/Director of Corporate Services.

- 4.07 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.08 To incorporate appropriate controls to ensure that, where relevant:
- a) All input is genuine, complete, accurate, timely and not previously processed.
 - b) All processing is carried out in an accurate, complete and timely manner.
 - c) Output from the system is complete, accurate and timely.
- 4.09 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.11 To ensure that systems are documented and staff trained in operations.
- 4.12 To consult with the Treasurer/Director of Corporate Services before changing any existing financial system or introducing new systems.
- 4.13 To establish a scheme of delegation identifying officers authorised to act upon the SMT Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.14 To maintain an appropriate finance system approval hierarchy and supply lists of authorised officers, with specimen signatures and delegated limits, to the Treasurer/Director of Corporate Services, together with any subsequent variations.
- 4.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.16 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.17 To ensure that relevant standards and guidelines for computer systems issued by the SMT Officer are observed.
- 4.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- a) Only software legally acquired and installed by the Authority is used on its computers.
 - b) Staff are aware of legislative provisions.
 - c) In developing systems, due regard is given to the issue of intellectual property rights.

INCOME AND EXPENDITURE

INCOME

WHY IS THIS IMPORTANT?

4.20 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cashflow and also avoids the time and cost of administering debts.

KEY CONTROLS

4.21 The key controls for income are:

- a) All income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- b) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- c) All money received by an employee on behalf of the Authority is paid without delay to the Treasurer/Director of Corporate Services or, as he or she directs, to the Authority's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - For identifying the amount due
 - For reconciling the amount due to the amount received
- d) Effective action is taken to pursue non-payment within defined timescales.
- e) Formal approval for debt write-off is obtained.
- f) Appropriate write-off action is taken within defined timescales.
- g) Appropriate accounting adjustments are made following write-off action.
- h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 4.22 To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- 4.23 To satisfy himself or herself regarding the arrangements for the control of all receipt forms, books or tickets and similar items.
- 4.24 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.25 To approve all debts to be written off, up to £10,000, in consultation with the relevant SMT Officer and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2015.
- 4.26 To obtain the approval of the Authority in consultation with the relevant SMT Officer for writing off debts in excess of the approved limit of £10,000.
- 4.27 To ensure that appropriate accounting adjustments are made following write-off action.

RESPONSIBILITIES OF SMT OFFICERS

- 4.28 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.29 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.30 To issue official receipts or to maintain other documentation for income collection.
- 4.31 To ensure that when post is opened that money received by post is properly identified and recorded.
- 4.32 To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.33 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.34 To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.35 To ensure income is not used to cash personal cheques or other payments.
- 4.36 To supply the Treasurer/Director of Corporate Services with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Treasurer/Director of Corporate Services to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. SMT Officers have a responsibility to assist the Treasurer/Director of Corporate Services in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf.
- 4.37 Levels of cash held on the premises must be minimised.
- 4.38 To recommend to the Treasurer/Director of Corporate Services all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.39 To obtain the approval of the Treasurer/Director of Corporate Services when writing off debts, and the approval of the Authority where required.
- 4.40 To notify the Treasurer/Director of Corporate Services of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Treasurer/Director of Corporate Services.

ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

WHY IS THIS IMPORTANT?

- 4.41 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's Contract Standing Orders.

GENERAL

- 4.42 Every officer and member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.
- 4.43 Official orders must be in a form approved by the Treasurer/Director of Corporate Services. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Treasurer/Director of Corporate Services. Telephone orders should not be placed in advance of the official order.
- 4.44 Each order must conform to the guidelines set by the Head of Procurement (in consultation with the Treasurer/Director of Corporate Services). Standard terms and conditions must not be varied without the prior approval of the Head of Procurement.
- 4.45 The normal method of payment from the Authority shall be by automated electronic payments (BACS), cheque or other instrument or approved method, drawn on the Authority's bank account by the Treasurer/Director of Corporate Services. The use of direct debit shall require the prior agreement of the Treasurer/Director of Corporate Services.
- 4.46 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

KEY CONTROLS

- 4.47 The key controls for ordering and paying for work, goods and services are:
- a) All goods and services are ordered only by appropriate persons and are correctly recorded.
 - b) All goods and services shall be ordered in accordance with the Authority's Contract Standing Orders unless they are purchased from sources within the Authority.
 - c) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order.
 - d) Payments are not made unless goods have been received by the Authority to the correct price, quantity and quality standards, apart from under exceptional circumstances (such as examples listed in 4.60 (i)).
 - e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.

- f) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- g) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- h) In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 4.48 To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- 4.49 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.50 To approve the form of official orders and associated terms and conditions.
- 4.51 To make payments from the Authority's funds on the SMT Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- 4.52 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.53 To make payments to contractors on the certificate of the appropriate SMT Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.54 To provide advice and encouragement on making payments by the most economical means.
- 4.55 To report progress on contracts valued in excess of £100,000 to Resources Committee

RESPONSIBILITIES OF SMT OFFICERS

- 4.56 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in 4.43.
- 4.57 To ensure that orders are only used for goods and services provided to the department or directorate. Individuals must not use official orders to obtain goods or services for their private use.
- 4.58 To ensure that only those staff authorised by him or her approve orders and to maintain an up-to-date record of such authorised staff, and in each case, the limits of their Authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.

- 4.59 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in the finance system or stores system records.
- 4.60 To ensure that payment is not made unless an official VAT invoice has been received, checked, coded and certified for payment, confirming:
- a) Receipt of goods or services.
 - b) That the invoice has not previously been paid.
 - c) That expenditure has been properly incurred and is within budget provision.
 - d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
 - e) Correct accounting treatment of tax.
 - f) That the invoice is correctly coded.
 - g) That discounts have been taken where available.
 - h) That appropriate entries will be made in accounting records.
 - i) Note, prepayments should only be made where there are no alternatives, i.e. purchases on the internet, travel and accommodation, software/hardware support and maintenance, rates, utilities etc If in doubt the Treasurer/Director of Corporate Services should be consulted
- 4.61 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. Whenever possible, a different officer from the person who approved the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 4.62 To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Treasurer/Director of Corporate Services.
- 4.63 To ensure that payments are not normally made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Electronically submitted invoices can be accepted if submitted in a form agreed by the Treasurer/Director of Corporate Services. Copy invoices should only be kept where required and must be marked as "COPY"
- 4.64 To encourage suppliers of goods and services to receive payment by the most economical means for the Authority, usually by BACS. It is essential, however, that payments made by direct debit have the prior approval of the Treasurer/Director of Corporate Services.
- 4.65 To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Treasurer/Director of Corporate Services, which are in line with best value principles and contained in the Authority's Contract Standing Orders.
- 4.66 To utilise corporate contracts, where applicable.
- 4.67 Where contracts exceed £25,000 the procurement department must be consulted.

4.68 The financial limits for entering into contracts are set out below:

Limit	Department Head	Relevant Director	Treasurer/Director of Corporate Services	Authority
Up to £50,000	Y			
£50,001-£100,000	Y	Y		
Over £100,000	Y	Y	Y	Y*

NB For all contracts over £100,000 approval is sought from the Authority yet authorisation to sign is delegated to the Treasurer / Director of Corporate Services . For all contracts valued at over £50,000 the completed Procurement Project Initiation document must be passed to the relevant authorising officer(s) and a copy of this and the contract must be retained by procurement.

4.69 To ensure that adequate records are maintained for all contracts

4.70 To prepare a quarterly return of progress to date and estimated final costs for all contracts where the initial one-off purchase is valued at over £100,000, for submission to the Treasurer/Director of Corporate Services and relevant Director (this does not apply to contracts for on-going services such as energy, or outsourcing.)

4.71 Where contracts have been entered into with a value in excess of £100,000 any variations in estimated/contract costs shall be dealt with as follows.

Cumulative Variance	Action
Less than £10,000 or 5%, whichever is the greater	Department Head to approve Retrospective notification to Treasurer/Director of Corporate Services and relevant Director No requirement to report to the Authority. (Where costs cannot be contained within budget prior approval of the Executive Board is required)
Between £10,000 and £25,000 or 5% and 10%, whichever is the greater	Report to Treasurer/Director of Corporate Services and relevant Director to seek approval, before any cost increases incurred. (Where costs cannot be contained within budget prior approval of the Executive Board is required)
Between £25,000 and £50,000 or 10% and 15%, whichever is the greater	Report to Executive Board to seek approval, before any cost increases incurred
Over £50,000 or 15%, whichever is the greater	Approval required from the Authority before any cost increases incurred, other than in exceptional circumstances when the delay incurred would, in the option of the CFO & Treasurer/Director of Corporate Services, be impractical in which case this must be reported retrospectively to the Authority

(Note, the approval by either Executive Board or the Authority means that all variations to date are incorporated into the revised contract sum. For the purpose of monitoring/reporting of future variations the cumulative value of variations begins again at zero)

4.72 To ensure that employees are aware of the Employee code of conduct.

- 4.73 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Treasurer/Director of Corporate Services. This is because of the potential impact on the Authority's borrowing powers, to protect the Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.74 To notify the Treasurer/Director of Corporate Services of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Treasurer/Director of Corporate Services.
- 4.75 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Treasurer/Director of Corporate Services the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status. Under no circumstances should a pre-payment be agreed without prior consent of the Treasurer/Director of Corporate Services.
- 4.76 To notify the Treasurer/Director of Corporate Services immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.77 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

PAYMENTS TO EMPLOYEES AND MEMBERS

WHY IS THIS IMPORTANT?

- 4.78 Staff costs are the largest item of expenditure for Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are authorised in accordance with the scheme adopted by the Authority.

KEY CONTROLS

- 4.79 The key controls for payments to employees and members are:
- a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - Starters
 - Leavers
 - Variations
 - Enhancements
 - b) and that payments are made on the basis of time records or claims.
 - c) Frequent reconciliation of payroll expenditure against approved budget and bank account.
 - d) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

- e) That HMRC Regulations are complied with.

RESPONSIBILITIES OF THE DIRECTOR OF PEOPLE AND DEVELOPMENT

- 4.80 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 4.81 To record and make arrangements for the accurate and timely payment of tax, superannuation (pension) and other deductions.
- 4.82 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.83 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.84 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

RESPONSIBILITIES OF SMT OFFICERS

- 4.85 To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.86 To notify the Director of People and Development of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Director of People and Development.
- 4.87 To ensure that adequate and effective systems and procedures are operated, so that:
- Payments are only authorised to bona fide employees
 - Payments are only made where there is a valid entitlement
 - Conditions and contracts of employment are correctly applied
 - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness
- 4.88 To maintain an up-to-date list of the names of officers authorised to submit electronic records to the Human Resources Department for payment. Appropriate checks are carried out by the officers whilst compiling the electronic records for submission.
- 4.89 To ensure that payroll transactions are processed only through the payroll system. SMT Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Director of People and Development.

- 4.90 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Treasurer/Director of Corporate Services is informed where appropriate.
- 4.91 To ensure that the Treasurer/Director of Corporate Services is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system and HMRC regulations.
- 4.92 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- 4.93 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

RESPONSIBILITIES OF MEMBERS

- 4.94 To submit claims for members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

TAXATION

WHY IS THIS IMPORTANT?

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

KEY CONTROLS

- 4.96 The key controls for taxation are:
- a) Budget managers are provided with relevant information and kept up to date on tax issues.
 - b) Budget managers are instructed on required record keeping.
 - c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
 - d) Records are maintained in accordance with instructions
 - e) Returns are made to the appropriate authorities within the stipulated timescale

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 4.97 To complete all HMRC returns regarding PAYE.
- 4.98 To complete a monthly return of VAT inputs and outputs to HMRC.
- 4.99 To provide details to the HMRC regarding the construction industry tax deduction scheme.
- 4.100 To provide guidance for Authority employees on taxation issues
- 4.101 To maintain and monitor the Authorities partial exemption position.

RESPONSIBILITIES OF SMT OFFICERS

- 4.102 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 4.103 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 4.104 To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.105 To follow guidance on taxation issued by the Treasurer/Director of Corporate Services.

TRADING ACCOUNTS AND BUSINESS UNITS

WHY IS THIS IMPORTANT?

- 4.106 Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Statement of Accounts. The Authority no longer has a trading account.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 4.107 To advise on the establishment and operation of trading accounts and business units.

RESPONSIBILITIES OF SMT OFFICERS

- 4.108 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 4.109 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.110 To ensure that each business unit prepares an annual business plan

EXTERNAL ARRANGEMENTS

PARTNERSHIPS

WHY IS THIS IMPORTANT?

- 5.01 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 5.02 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

GENERAL

- 5.03 The main reasons for entering into a partnership are:
- a) The desire to find new ways to share risk
 - b) The ability to access new resources
 - c) To provide new and better ways of delivering services
 - d) To forge new relationships
- 5.04 A partner is defined as either:
- a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
 - b) A body whose nature or status give it a right or obligation to support the project.
- 5.05 Partners participate in projects by:
- a) Acting as a project deliverer or sponsor, solely or in concert with others.
 - b) Acting as a project funder or part funder.
 - c) Being the beneficiary group of the activity undertaken in a project.
- 5.06 Partners have common responsibilities:
- a) To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.
 - b) To act in good faith at all times and in the best interests of the partnership's aims and objectives.
 - c) Be open about any conflict of interests that might arise.
 - d) To encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors.
 - e) To hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.
 - f) To act wherever possible as ambassadors for the project.

KEY CONTROLS

5.07 The key controls for Authority partners are:

- a) If appropriate, to be aware of their responsibilities under the Authority's Financial Regulations and Contract Standing Orders.
- b) To ensure that risk management processes are in place to identify and assess all known risks.
- c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

5.08 To advise on effective controls that will ensure that resources are not wasted.

5.09 To advise on the key elements of funding a project. They include:

- a) A scheme appraisal for financial viability in both the current and future years.
- b) Risk appraisal and management.
- c) Resourcing, including taxation issues.
- d) Audit, security and control requirements.
- e) Carry-forward arrangements.

5.10 To ensure that the accounting arrangements are satisfactory.

RESPONSIBILITIES OF SMT OFFICERS

5.11 To maintain a register of all significant partnerships.

5.12 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Treasurer/Director of Corporate Services.

5.13 To ensure all partnerships entered into contribute to the achievement of the Authority's objectives.

5.14 To ensure that, before entering into significant agreements with external bodies, a risk management appraisal has been prepared for the Treasurer/Director of Corporate Services.

5.15 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.

5.16 To ensure that all agreements and arrangements are properly documented.

5.17 To provide appropriate information to the Treasurer/Director of Corporate Services to enable a note to be entered into the Authority's statement of accounts concerning material items.

EXTERNAL FUNDING

WHY IS THIS IMPORTANT?

- 5.18 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Authority's overall plan.

KEY CONTROLS

- 5.19 The key controls for external funding are:
- a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
 - b) Arrangements are in place to ensure that all relevant grant claims are identified, accurate and prepared on a timely basis.
 - c) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the Authority.
 - d) To ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.
 - e) To ensure that the consequences of withdrawal of funding at the end of the period is given appropriate consideration.

RESPONSIBILITIES OF THE TREASURER/DIRECTOR OF CORPORATE SERVICES

- 5.20 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- 5.21 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.22 To ensure that audit requirements are met.
- 5.23 To ensure that the consequences of withdrawal of funding at the end of the period are considered and plans are in place to ensure that this does not affect future service provision.

RESPONSIBILITIES OF SMT OFFICERS

- 5.24 In respect of external funding bids valued in excess of £25,000, to submit details of proposals to SMT/Executive Board prior to bidding, such reports to state how the proposed funding will contribute towards achievement of the Authorities objectives.
- 5.25 To ensure that all claims for funds are made by the due date.
- 5.26 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

WORK FOR THIRD PARTIES

WHY IS THIS IMPORTANT?

- 5.27 Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

KEY CONTROLS

- 5.28 The key controls for working with third parties are:
- a) To ensure that proposals are costed properly in accordance with guidance provided by the Treasurer/Director of Corporate Services.
 - b) To ensure that contracts are drawn up using guidance provided by the Treasurer/Director of Corporate Services and that, where required, the formal approvals process is adhered to.
 - c) To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

RESPONSIBILITIES OF TREASURER/DIRECTOR OF CORPORATE SERVICES

- 5.29 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

RESPONSIBILITIES OF SMT OFFICERS

- 5.30 To ensure that appropriate approvals are obtained before any negotiations are concluded to work for third parties.
- 5.31 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Treasurer/Director of Corporate Services.
- 5.32 To ensure that appropriate insurance arrangements are made.
- 5.33 To ensure that the Authority is not put at risk from any bad debts.
- 5.34 To ensure that no contract is subsidised by the Authority.
- 5.35 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.36 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- 5.37 To ensure that such contracts do not impact adversely upon the services provided for the Authority.
- 5.38 To ensure that all contracts are properly documented.
- 5.39 To provide appropriate information to the Treasurer/Director of Corporate Services to enable a note to be entered into the Statement of Accounts.

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