

**Part F – Appendices**

**Section F5:- Finance and Contract Procedure Rules**

**F5D:- Risk Management and Control of Resources**

**In Part F:-**

**Section F1** contains the Member Code of Conduct

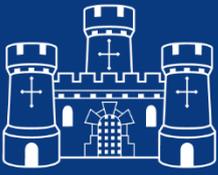
**Section F2** contains the Member Planning Protocol

**Section F3** contains the Officer Code of Conduct

**Section F4** contains the Officer/Member Relations Protocol

**This Section (F5)** contains the Finance and Contract Procedure Rules that govern how the council manages its financial affairs. The Rules are split into the following eight parts:-

- **Part F5A** contains an introduction and overview to the principles of good financial management, the roles and responsibilities of Officers and Members and the various documents and processes that form the council's financial management framework.
- **Part F5B** Financial Management
- **Part F5C** Financial Planning
- **This Section (F5D)** Risk Management and Control of Resources
- **Part F5E** Financial Systems and Procedures
- **Part F5F** Contract Procedure Rules
- **Part F5G** Collaborative Working and ASDVs
- **Part F5H** Glossary



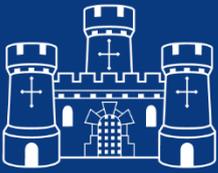
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**Section F5:- Finance and Contract Procedure Rules**

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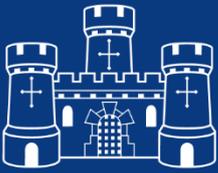
**In this Section:-**

D1	Insurance
D2	Risk Management
D3	Business Continuity
D4	Internal Controls
D5	Internal Audit
D6	External Audit
D7	Preventing Fraud and Corruption
D8	Assets
D9	Property
D10	Inventories
D11	Stocks
D12	Cash
D13	Asset disposal and Write off
D14	Treasury Management
D15	Investments and Borrowings
D16	Funds held for Third Parties
D17	Salaries and Wages
D18	Early Retirement and Severance
D19	Travelling and Subsistence
D20	Code of Conduct
D21	Retention of Records



**D1. Insurance**

- D1.1 The Service Director Legal and Governance is responsible for preparing the Council's risk management policy statement on behalf of the Corporate Leadership Team (CLT), for promoting it throughout the council and for advising Cabinet on appropriate insurance cover.
- D1.2 The Service Director Legal and Governance will maintain and administer the Council's insurances in accordance with the Risk Management Strategy that describes the Council's approach to managing risk.
- D1.3 The Service Director Legal and Governance is responsible for authorising the settlement or repudiation of insurance claims and associated costs. Advice will be sought from the council's insurance solicitors and insurers.
- D1.4 Service Directors are responsible for informing the Service Director Legal and Governance immediately of:-
- a) any insurance claims received
  - b) any events which may result in an insurance claim against the council
  - c) the terms of any indemnity that the council is required to give prior to entering into any contracts, agreements, partnership or arrangements.
  - d) any new risks that might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working and changes in legislation where insurance impacts are often overlooked
  - e) changes to the assets insured by the council
  - f) changes to the responsibility of the council
- D1.5 No new insurances may be taken out without prior consultation with the Service Director Legal and Governance.
- D1.6 Service Directors must ensure the retention of documents in accordance with the corporate retention policy and that there is co-operation with the risk and insurance



team in providing the correct documentation within the strict timescales of the Civil Procedure Rules when dealing with claims.

D1.7 Service budgets will be charged with the cost of legal penalties or losses incurred by the Council because of any failure to comply with the requirements of the Civil Procedure Rules and these Finance and Contract Procedure Rules relating to claims.

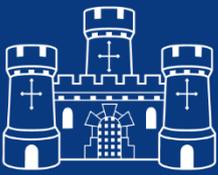
## **D2. Risk Management**

D2.1 The Council's approach to risk management is that it should be effective in helping to optimise the balance between risk taking and control, maximising opportunities and encouraging innovation.

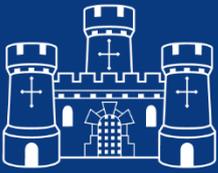
D2.2 Service Directors are responsible for ensuring the Risk Management Policy and Strategy is implemented and that the Risk Management Framework operates within their Services. Risk management should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

D2.3 There are several levels of risk register within the council. There should be a movement of risks both upwards and downwards through the levels and treatment so that risks are addressed at the most appropriate level of the organisation:-

- a) Corporate Risk Register - contains risks that impact on the organisation's overall objectives either because of their frequency of occurrence across several services or the significance of the impact
- b) Service Risk Registers - contain strategic and operational risks that impact on the delivery of service objectives
- c) Team Risk Registers – there may be very specific operational risks that affect the delivery of team priorities that are not recorded in Service Risk Registers. These should be recorded in Team Risk Registers which should act as a feeder for risks to be elevated to the Service Risk Register if needs be
- d) Programme/Project Risk Register – contain risks associated with individual projects. Due to the speed of project delivery, these risks are more likely to be more dynamic and must be more frequently monitored and reported



- D2.4 Service Directors are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the corporate risk management framework.
- D2.5 Service Risk Registers are a perpetual living document and should be reviewed and reported at least quarterly. They must align with the relevant Priority Delivery Plan as an important part of monitoring performance and outcomes as well as helping to inform the Council's risk appetite and the Corporate Risk Register.
- D2.6 Service Directors will take account of and address corporate risks where appropriate within their Service Risk Register. They will inform the risk and insurance team of any service risks that could be considered significant enough to highlight at a corporate level.
- D2.7 The Corporate Risk Register is maintained by the Service Director Legal and Governance. It will be reported to the Corporate Leadership Team on a regular basis.
- D2.8 The Audit and Standards Committee will also receive risk management reports on a regular basis to monitor the effective development and operation of risk management in the Council. The Committee provides independent assurance of the adequacy of the risk management framework and the internal control environment.
- D3. Business Continuity**
- D3.1 The Corporate Leadership Team is responsible for determining the Business Continuity Strategy and ensuring it is compliant with the Civil Contingencies Act 2004. Service Directors are responsible for implementing it and monitoring its effectiveness.
- D3.2 The Service Director Strategy, People and Performance develops the strategy and supporting framework on behalf of the Corporate Leadership Team.
- D3.3 The Audit and Standards Committee is responsible for approving the Business Continuity Strategy and reviewing its effectiveness as part of the risk management framework and the internal control environment.
- D3.4 Service Directors are responsible for ensuring that arrangements are in place to ensure the continuity of service delivery in the event of a disruptive incident. This is managed through the development of robust Business Continuity Plans that are



regularly maintained and tested in accordance with the Business Continuity Strategy.

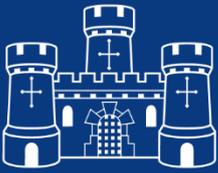
- D3.5 Service Directors are responsible for ensuring that arrangements/contracts for significant areas of service provision include requirements for contractors, partners and suppliers to have robust and tested business continuity plans. This should include the ongoing monitoring and compliance with this requirement via contract performance management and, where necessary, joint exercises.

#### **D4. Internal Controls**

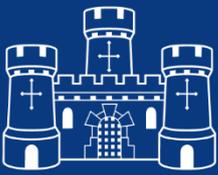
- D4.1 The Section 151 Officer and Service Director Legal and Governance are responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes, regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- D4.2 It is the responsibility of Service Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

#### **D5. Internal Audit**

- D5.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 more specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- D5.2 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- D5.3 This function can be delivered by a team internal to the council or it can be contracted out under the supervision of the Section 151 Officer.



- D5.4 The Accounts and Audit Regulations 2015 require the council to review the effectiveness of its governance framework, including the system of internal control, on an annual basis and report the results in an Annual Governance Statement. This statement must provide a description of the governance framework within the council, a description of any work undertaken to assess its effectiveness and any significant governance weaknesses identified.
- D5.5 To contribute to the production of the Annual Governance Statement, the Section 151 Officer is responsible for planning and delivering a programme of independent review of the council's activities, the scope of the programme being based on the council's objectives and an assessment of the risk, which may affect the achievement of these objectives.
- D5.6 The Section 151 Officer is also responsible for reporting to those charged with governance and can satisfy this requirement by presenting an annual report to the Audit and Standards Committee, summarising the audit plan for the coming year and a commentary on audit activity which is completed or in progress. Quarterly reports setting out progress against the annual audit plan and delivery against its key performance indicators are also taken to the Audit and Standards Committee. In addition, any matters of material importance in relation to audit matters are also reported to Cabinet and the Audit and Standards Committee.
- D5.7 Audit staff will have full access to all premises, staff, assets, records and third party fund transactions as is necessary to conduct their reviews. With regards to organisations participating in partnering arrangements, including alternative delivery vehicles where provided for in the contract or service level agreement, audit staff shall have such access to premises, staff, assets and records of the partner as is necessary for the purposes of the partnering arrangement.
- D5.8 Partners will be required to grant reasonable access when requested and details of such access should be agreed with the partner and set down in the partnering agreement. Where the right of access has not been specified in existing arrangements then appropriate discussions with partners should take place. Similar rights of access should be determined as part of the establishment of any alternative service delivery vehicles, and should be similarly agreed and documented in the contract or service level agreement.



**D6. External Audit**

D6.1 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

D6.2 The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities and these new arrangements include the ability for local authorities to appoint their own local (external) auditors via an 'auditor panel'. An auditor panel can be established individually or jointly with one or more other authority.

D6.3 The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

**D7. Preventing Fraud and Corruption**

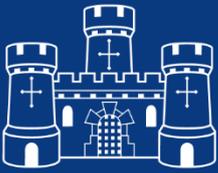
D7.1 The Section 151 Officer is responsible for the development and maintenance of an Anti-Fraud and Corruption Strategy.

D7.2 The Council has an approved Anti-Fraud and Corruption Strategy that places responsibility for maintaining an anti-fraud culture with all Members, managers and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving council assets or those of a third party fund, must be notified immediately to the Section 151 Officer, in conjunction with other Officers detailed in the council's Anti-Fraud and Corruption Strategy, who will decide what steps are necessary.

D7.3 In line with the Anti-Fraud and Corruption Strategy, the Service Director Legal and Governance in his/her role as Monitoring Officer will, in consultation with the appropriate Service Directors, decide whether any matter under investigation should be referred to the Police or appropriate enforcement agency.

**D8. Assets**

D8.1 In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land, infrastructure, furniture, equipment, plant, vehicles, stores and intellectual property such as computer software, data and information of all kinds.



D8.2 Service Directors are responsible for the care, control and proper, economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security.

D8.3 Service Directors are responsible for ensuring that assets are used only for official purposes and that all appropriate rights, licenses and insurances are obtained.

D8.4 Service Directors are responsible for ensuring that all computer software used is properly licensed.

D8.5 Service Directors are expected to have policies in place for:-

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

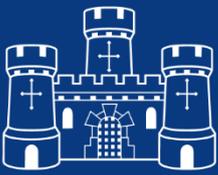
## **D9. Property**

D9.1 The Council's approach to property asset management is based on two main principles:-

- a) property is a corporate resource, owned by the council, not by individual services. This principle underpins the fact that property is one of the council's most expensive resources and that it needs to be managed proactively to support service delivery and improvement across all services
- b) property is held to support the delivery of the council's corporate objectives. This is to be delivered through a rigorous policy of property review and the disposal of any properties that are no longer required to meet corporate objectives

D9.2 The council's policies, aims and objectives relating to property asset management are explained further in the asset management strategy.

D9.3 Property assets are comparatively "illiquid" and changes necessarily take time to implement. Service Directors should be aware of this when planning new initiatives or changes to service delivery patterns and must ensure that the Service Director



Commercial Delivery is consulted at the earliest possible stage of the planning process in order that appropriate advice and support can be given.

D9.4 Service Directors are responsible for ensuring that property under their day to day control is occupied/used in accordance with all appropriate legal and regulatory requirements and that nothing occurs which might diminish the value of the asset. Particular care is required when carrying out alterations to a building and where any form of shared use with another organisation is planned. The advice of the Service Director Commercial Delivery must be obtained before this is permitted.

D9.5 All property acquisitions, lettings and disposals must be negotiated and approved in accordance with the Property Scheme of Delegation.

#### **D10. Inventories**

D10.1 Service Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.

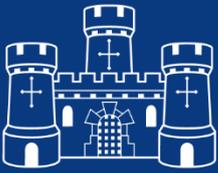
D10.2 The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements must be separately identified for disclosure in the published final accounts.

#### **D11. Stocks**

D11.1 Stock are defined as consumable items constantly required and held by a service centre in order to fulfil its functions. Service Directors are responsible for the control of stocks. They must ensure that stocks are appropriately recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year-end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

#### **D12. Cash**

D12.1 Cash held on any council premises should be held securely and should not exceed any sums for which the council is insured (guidance on limits is available from the council's insurance team). If this is unavoidable, in exceptional circumstances the Service Director is responsible for making appropriate security arrangements.



D12.2 The type of receptacle used to secure the cash should be appropriate to the amount of cash held and records detailing the amounts should be maintained and stored separately to the cash.

**D13. Asset Disposal and Write Off**

D13.1 The disposal/write off of non-property assets must be authorised as follows:-

Approval level	Value of Disposal
Section 151 Officer	Up to £5k
Section 151 Officer in consultation with the relevant Cabinet Member	5k< to £10k
Cabinet	£10k<

D13.2 Any write off which arises because of theft or fraud must be notified immediately to the Section 151 Officer.

**D14. Treasury Management**

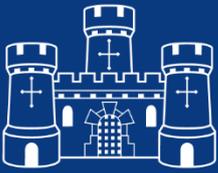
D14.1 The council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

D14.2 Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to Council by the Cabinet. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.

D14.3 All money in the hands of the council is controlled by the Section 151 Officer as designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the code as the Finance Service Director.

D14.4 The Section 151 Officer is responsible for submitting to Council, for its approval, a proposed treasury management strategy prior to the start of the financial year to which it relates.

D14.5 All executive decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.



D14.6 The Section 151 Officer is responsible for reporting on the activities of the treasury management operation and, on the exercise of the Section 151 Officer's delegated treasury management powers, to the Audit and Standards Committee on a 6-monthly basis during the financial year. In addition, an annual report on the treasury management activity undertaken in the previous financial year will be presented to Audit and Standards Committee and then full Council for approval by 30 September of the following financial year.

### **D15. Investments and Borrowings**

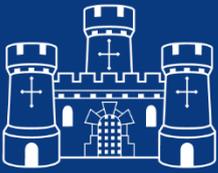
D15.1 It is the responsibility of the Section 151 Officer to:-

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

### **D16. Funds Held for Third Parties**

D16.1 It is the responsibility of the Section 151 Officer to:-

- a) arrange for all third party funds to be held, wherever possible, in the name of the Council (e.g. 'Newcastle-under-Lyme Council on behalf of...')
- b) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions
- c) ensure that trust funds are operated within any relevant legislation and the specific requirements of any trust



D16.2 All Officers acting as trustees by virtue of their official position shall deposit trust assets and securities with the Section 151 Officer, unless the Trust Deed provides otherwise.

**D17. Salaries and Wages**

D17.1 Service Directors are responsible, in consultation with the Service Director Strategy, People and Performance, for providing accurate and appropriate information and instructions to enable the calculation and prompt payment of salaries, expenses and pensions. This includes details of appointments, promotions, re-gradings, resignations, dismissals, retirements and absences from duty. The Section 151 Officer will arrange for payment to the appropriate bodies, of all statutory disbursements, including taxation, and other payroll deductions.

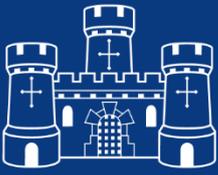
D17.2 Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be submitted via authorised electronic inputs. Service Directors are responsible for ensuring that they are certified by an authorised Officer and that they are submitted to the payroll provider in accordance with the specified timetable.

D17.3 The Service Director Strategy, People and Performance will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

**D18. Early Retirement and Severance**

D18.1 Where Service Directors wish to bring forward proposals under the council's policies on severance and early retirement, they must be accompanied by a full cost and affordability assessment. The relevant Service Director (or the Chief Executive if the request relates to a Service Director), Section 151 Officer and Monitoring Officer (or their nominated deputy) must approve all requests. Member approval from the Employment Committee and/or Council is required in accordance with the terms of reference for the Employment Committee.

D18.2 Service Directors will generally be required to meet the costs of severance and early retirement from within their approved budget.



**D19. Travelling and Subsistence**

D19.1 Service Directors are responsible for instructing the Service Director Strategy, People and Performance and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to employees in accordance with the terms of employment agreed by the Council.

D19.2 Service Directors are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys that are necessary and actually undertaken.

D19.3 All claims for reimbursement must be made using appropriate authorised electronic inputs.

**D20. Code of Conduct**

D20.1 The Code of Conduct for Employees must be followed by all Officers. It covers standards, disclosure of information, political neutrality, relationships, appointments and other employment matters, outside commitments, personal interests, equality issues, separation of roles during tendering, gifts and hospitality, use of financial resources and sponsorship.

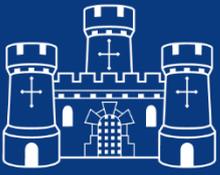
D20.2 Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts and hospitality apply, as detailed in the Code of Conduct for Employees.

**D21. Retention of Records**

D21.1 The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections' accounts.

D21.2 The council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.

D21.3 All records held should have an appropriate retention period assigned to them, which meets the needs of the service in question but also the requirements of



statutory obligations such as those relating to financial records, limitation of liability, and data protection/freedom of information.

- D21.4 The majority of financial records must be kept for 6 years from the end of the tax year to which they relate. However, some records may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods.
- D21.5 The Council's retention schedules, available on the intranet, set out the length of time for which different types of records should be kept. The schedules are based on legislative requirements and best practice, and as such must be adhered to by Services.

