

12 CODE OF FINANCIAL GOVERNANCE

1. Introduction

1.1 The Code of Financial Governance provides the strategic framework for managing the Council's financial affairs, and ensuring the efficient, effective, and economic use of resources. As a strategic document, the Code of Financial Governance is contained in the Council's Constitution. The Code is given operational effect by the Council's Financial Procedures, which set out the detailed procedures and processes for the management of the Council's financial affairs. The Code and the Financial Procedures apply to every Member and officer and to any person or organisation acting on the Council's behalf in undertaking Council business.

1.2 The Code of Financial Governance is to be read in conjunction with other sections of the Constitution, in particular:-

- the Budget and Policy Framework Procedure Rules
- the Code of Procurement Governance and supplementary procedures
- the Scheme of Delegation to Directors and other Officers

1.3 The Code of Financial Governance shall only be suspended on the resolution of the Council, or as varied by any part of the Scheme of Delegation approved by the Council. The Chief Finance Officer shall ensure that the Code and related documents are reviewed and updated as appropriate. The General Purposes Committee is charged with maintaining an overview of this Code and if necessary, recommending any amendments required thereto to Council.

1.4 A range of Council policies and documents are referred to in this Code that give operational effect to its principles. It is a requirement of the Code that all Members and officers comply with the following policies and documents referred to in the Code:-

- 1.4.1 Financial Procedures
- 1.4.2 Capital Strategy
- 1.4.3 Risk Management Policy Statement
- 1.4.4 Anti Fraud and Corruption Policy
- 1.4.5 Treasury Management Policy Statement
- 1.4.6 Annual Treasury Management Strategy
- 1.4.7 Prudential Borrowing Indicators
- 1.4.8 IS/IT Strategy
- 1.4.9 Asset Management Plan
- 1.4.10 Financial Procedures for Schools

2. Objectives

- 2.1 The Council's objectives in the Code of Financial Governance are:-
- 2.1.1 To provide a framework applicable to all Members and officers for the efficient and proper administration of the Council's financial affairs;
 - 2.1.2 To ensure that all members and officers abide by the highest standards of probity and integrity, have clear standards to work to, and that controls are in place to monitor the meeting of those standards;
 - 2.1.3 To ensure that there is a clear statement of the responsibility of all Members and officers to provide for the security of the Council's assets, including money; and
 - 2.1.4 To ensure that the use of resources is legal, properly authorised, and achieves value for money and best value.
- 2.2 In seeking to achieve value for money and best value, all Members and officers shall give appropriate consideration to:-
- 2.2.1 How each activity fits within the strategic corporate objectives and how outcomes can be maximised;
 - 2.2.2 How performance can be compared objectively and evaluated by the local community;
 - 2.2.3 Acquiring resources at an appropriate quality for the minimum cost;
 - 2.2.4 Ensuring that the maximum output is obtained from the resources devoted to an activity; and
 - 2.2.5 Ensuring that the output from any activity is achieving the desired result or target set.

3. Financial Management

- 3.1 Financial management covers all financial accountabilities in relation to the running of the Council. This section of the Code refers to the roles and responsibilities of bodies and officers within the Council in respect of Financial Governance and related governance areas.

- 3.2 **Council:** The Council is responsible for adopting and changing the Code of Financial Governance and for approving or adopting the policy framework and budget within which the Executive operates.
- 3.3 **Executive:** The Executive is responsible for directing the Council's affairs within the policy framework and budget. The Executive shall consider the draft budget and make recommendations to the Council, before the end of February, to enable a meeting of the Council to set the budget and the Council Tax by the statutory date.
- 3.4 **Overview and Scrutiny Committees and Task Groups:** The overview and scrutiny committees and task groups are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. The committees and task groups are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.
- 3.5 **General Purposes Committee:** The General Purposes Committee is appointed by the Council and is responsible for, among other things, promoting and maintaining high standards of conduct among councillors. It is responsible for advising the Council on the adoption and revision of the Council's Code of Conduct for Members, and for monitoring the operation of the Code. It is also responsible for maintaining an overview of this Code, and for recommending any proposed changes to Council.
- 3.6 **Audit Committee:** The Audit Committee acts, on behalf of council, to review best practice governance arrangements within the Council. Specifically the Audit Committee is responsible for matters in relation to internal audit, financial management controls, risk management and the external audit service.
- 3.7 **Head of Paid Service (Chief Executive):** The Head of Paid Service is the Chief Executive. He/she has responsibility for establishing a framework for management direction, style and standards, and for monitoring the overall performance of the organisation.

3.8 **Monitoring Officer:**

- 3.8.1 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the General Purposes Committee and the Standards Sub-Committee. He/she is also responsible for the reporting of any actual or potential breaches of the law or maladministration to the Council and/or Executive, and for ensuring that procedures for recording and reporting Key Decisions are operating effectively.
- 3.8.2 The Monitoring Officer, in conjunction with the Chief Executive and Chief Finance Officer (see below), has responsibility for advising the Executive on whether a decision is likely to be contrary to or not in accordance with the budget and policy framework.

3.9 **Chief Finance Officer:**

- 3.9.1 This post, as defined in the Constitution, has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties and professional requirements for the post arise from:-
- Section 151 of the Local Government Act 1972
Sections 113 and 114 of the Local Government Finance Act 1988
Section 5, Subsection 1A of the Local Government and Housing Act 1989
Schedule 5, Paragraph 24 of the Local Government Act 2000
Statutory guidance issued under the Local Government Act 2000
Sections 3 and 25 of the Local Government Act 2003
The Accounts and Audit Regulations 2011.
- 3.9.2 The Chief Finance Officer shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Council's financial affairs and report to the Council, the Executive and the relevant Executive Member on the discharge of this responsibility.

- 3.9.3 In addition the Chief Finance Officer is the responsible financial officer for the purposes of, Section 114 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2011.
- 3.9.4 The officer appointed as the Chief Finance Officer must, by virtue of section 113 of the Local Government Finance Act 1988, be a member of a specified accountancy body. Schedule 5, Para 24 of the Local Government Act 2000 amended the Local Government and Housing Act 1989 to the effect that the Monitoring Officer cannot also be the Head of Paid Service or the Chief Financial Officer.
- 3.9.5 Statutory guidance issued by the Secretary of State under the 2000 Local Government Act advises that local authorities will need to ensure that the Chief Finance Officer and the Monitoring Officer have access as necessary to meetings and papers and that Members must consult with him/her regularly.
- 3.9.6 The Chief Finance Officer must comply with the International Federation of Accountants' Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by virtue of their professional status as a member of an accountancy institute. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.
- 3.9.7 Sections 3 and 25 of the Local Government Act 2003 require the Chief Finance Officer to report to the Council at the time that the budget is considered and the Council Tax set on the robustness of the budget estimates and the adequacy of financial reserves. He/she must ensure that the guidelines and ratios set down for the purposes of the Prudential Capital regime are adhered to once fixed and report to Council if they are going to be infringed.

- 3.9.8 Section 114 (c) of the Local Government Finance Act 1988 requires the designated Section 151 Officer to appoint a deputy to act in his/her absence for the purposes of this part of the statutory duty and to make similar arrangements for the purposes of the Accounts and Audit Regulations 2011.
- 3.9.9 The Chief Finance Officer is responsible for advising the Council, the Executive, the overview and scrutiny committees, regulatory committees and Corporate Management Team on all financial matters affecting the Council.
- 3.9.10 The Chief Finance Officer has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure disbursements made on behalf of the Council and that controls operate to protect the Council's assets from loss, waste, fraud or other impropriety. The Chief Finance Officer shall discharge that responsibility in part by the issue and maintenance of Financial Procedures with which all officers and members of the Council shall comply.
- 3.9.11 The Chief Finance Officer will report identified breaches of the Code of Financial Governance or supporting Financial Procedures to the Audit Committee annually where such instances expose the Council to unacceptable risks or financial loss. Directors will be informed of all identified breaches within their service area.
- 3.9.12 The Accounts and Audit Regulations 2011 emphasise the need for effective financial management and sound systems of internal control. They require that the Council should maintain an adequate and effective system of internal audit for their accounting records and control systems. It is a function of the Chief Finance Officer to direct Internal Audit and ensure that it is adequate for the Council's purposes.

- 3.9.13 Section 7 of the Accounts and Audit Regulations 2011 require the Chief Finance Officer, no later than 30 June immediately following the end of a financial year, to sign and date the Council's statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Chief Finance Officer must re-certify the presentation of the statement of accounts before the Audit Committee approves it.
- 3.9.14 The Chief Finance Officer is the officer responsible for awarding and signing leases, other than property leases, on behalf of the Council. The Chief Finance Officer may delegate this to other specified officers.
- 3.9.15 The Chief Finance Officer shall ensure that Directors, Assistant Directors and budget holders receive appropriate support from relevant finance officers, even where a strategic partner provides such support.
- 3.10 Directors and Assistant Directors:**
- 3.10.1 Directors are fully accountable to the Chief Executive and the Executive for the financial management of the activities of their Directorates. Directors may delegate aspects of their financial management responsibilities to their Assistant Directors in writing. The Chief Finance Officer must be advised of such delegation. In turn, Assistant Directors may delegate aspects of their financial management responsibilities to other senior managers. Records must be kept of such delegations.
- 3.10.2 Directors and Assistant Directors are individually responsible for the proper stewardship of all the resources allocated to them. However, it is noted that there is shared responsibility for some assets, which are managed centrally or in pooled/partnership arrangements.
- 3.10.3 Directors and Assistant Directors are responsible for providing the Chief Finance Officer with any information relating to the services under their control required to fulfil the duties of the Section 151 Officer.

- 3.10.4 Directors through their Assistant Directors are responsible for ensuring that officers under their control are aware of and comply with the Code of Financial Governance and supporting Financial Procedures and monitoring and reporting any non-compliance by either officers or partners.
- 3.11 **Emergency Procedures:** Nothing in this Code or the Financial Procedures shall prevent expenditure being incurred where an emergency or disaster involving destruction of, or danger to, life or property occurs or is imminent. Where in the opinion of the relevant Director, in consultation if possible with the relevant Executive Member, Chief Executive and the Chief Finance Officer, the urgency of the situation will not permit delay, necessary expenditure may be incurred. Action under this paragraph shall be reported at the next available meeting of the Corporate Management Team, Executive and Audit Committee.

4. **Financial Planning and Control:**

- 4.1 Financial planning enables the Council to deliver its priorities through the allocation of resources to services:-
- 4.1.1 The Revenue Budget is a statement of the annual income and expenditure requirements for all services and sets out the financial implications of the Council's policies. It provides Assistant Directors with authority to incur expenditure and a basis on which to monitor the financial performance of the Council.
- 4.1.2 Capital expenditure is an important element in the development and delivery of the Council's services, and maintenance and improvement of council assets.
- 4.2 **The Budget and Policy Framework:** The key elements of financial planning are the Strategic Plan and the Medium Term Financial Strategy, including the Capital Programme and the Revenue Budget.
- 4.3 **Strategic Plan:** The Strategic Plan sets out the Council's vision for Central Bedfordshire, its values and priorities.
- 4.4 **Medium Term Financial Strategy:** The Medium Term Financial Strategy is the key tool in ensuring that the Council's resources are used in accordance with its corporate priorities and decisions. The Chief Finance Officer will determine the format of the Medium Term Financial Strategy, subject to any overriding requirements of the Executive.

4.5 **Revenue Budget:** The first year of the Medium Term Financial Strategy is the detailed Annual Revenue Budget. The Revenue Budget provides a statement of the annual income and expenditure requirements for all services, and sets out the financial implications of the Council's policies. It provides the Executive, Directors and Assistant Directors with authority to incur expenditure, subject to rules relating to virement (see below). In addition it provides the basis on which to monitor the financial performance of services within the year. The Executive will recommend the Revenue Budget to Full Council for approval each year, following the overview and scrutiny process outlined in the Budget and Policy Framework Procedure Rules.

4.6 **Financial Control:**

4.6.1 Throughout the year Directors, Assistant Directors and Budget Managers shall monitor income and expenditure against budgets for which they are responsible, ensuring that expenditure and income are properly coded and that budget-timing profiles are accurate.

4.6.2 Directors, Assistant Directors and Budget Managers are directly responsible for ensuring that spending and commitments do not exceed the latest approved budget. However, if expenditure in excess of the approved budget is incurred due to an emergency, this emergency expenditure must be reported to the Chief Finance Officer and the appropriate Executive Member(s) and, if necessary, the Executive as soon as possible thereafter.

4.6.3 The Original Budget is used to set the Council Tax level. The approved, or revised, budget is the Original Budget plus any supplementary estimates or budgetary virements agreed in accordance with this Code of Financial Governance.

4.6.4 The Chief Finance Officer shall ensure that budget monitoring information is reported monthly to the Corporate Management Team and quarterly to the Executive and the overview and scrutiny committees.

4.7 Virements:

4.7.1 Virement is a transfer of budget provision either within or between budget headings. It is an important facility to assist in managing budgets effectively within a cash limit.

4.7.2 The Council scheme of virements is as follows:-

Category	Virement Levels	Approval Power
Within Portfolio Revenue Budgets Within the same cost centre or between cost centres. Capital schemes between projects	Up to £100,000 cumulative (sum of individual virements)	Budget Managers in consultation with Chief Finance Officer
	Revenue £100,000 to £200,000 cumulative (sum of individual virements) Capital £100,000 to £500,000 per project	Directors in consultation with the Chief Finance Officer and with the agreement of the Executive Member(s)
	Revenue Over £200,000 cumulative (sum of individual virements) Capital over £500,000	Executive
Between portfolios	Revenue Up to £200,000 cumulative (sum of individual virements) Capital Up to £500,000	Directors in consultation with the Chief Finance Officer and with the agreement of the relevant Executive Member(s)
	Revenue Over £200,000 cumulative (sum of individual virements) Capital Over £500,000	Executive

4.7.2.1 The scheme will be administered by the Chief Finance Officer within the guidelines approved by Council.

4.7.2.2 Budgets may be adjusted to take account of new grants received during the year outside of the Virement Scheme subject to the reporting of any adjustment over £100,000 in the next Budget Monitoring report to the relevant overview and scrutiny committee.

4.7.2.3 Virement will only apply current year revenue and capital budgets.

4.8 **Supplementary Estimates:**

4.8.1 Budgets are cash limited. If an overspend cannot be met from existing budgets, or virement, or new spending proposals are identified for which financial provision has not been made, supplementary estimates should be treated as a last resort. These will be approved in emergencies only, and where Directors have demonstrated that all other funding options, e.g. virement, have been exhausted. Supplementary estimates should not be requested for in-year increases in expenditure, but should only relate to increases where the increase is estimated to be for more than one year.

4.8.2 Any Director proposing a supplementary estimate must prepare a report for the Executive, including a financial appraisal prepared jointly by the Director (or Assistant Director) and the Chief Finance Officer. If the Executive approves the proposal it must seek approval of Council to proceed in accordance with the Budget and Policy Framework Procedure Rules.

4.8.3 No supplementary estimates will be approved for expenditure below £200,000.

4.9 **Transfer of Budget between Financial Years:** Revenue budget provision not utilised by the end of the financial year will not normally be transferred to the following year, except in exceptional circumstances. In this situation, a report for the Executive requesting the transfer shall be prepared jointly by the Director (or Assistant Director) and the Chief Finance Officer.

4.10 **Capital Programme:**

- 4.10.1 Investment in capital assets shapes future service delivery and creates future financial commitments. The Capital Programme is a four-year programme, including the current budget year, of estimated capital expenditure and associated funding. Council will approve a Capital Programme each year, recognising that approving initial estimates is the first stage in the process of progressing a proposed scheme to implementation. Estimates produced at this stage will be liable to change.
- 4.10.2 The Executive will receive budgetary proposals for inclusion in the Council's Capital Programme and will submit a proposed programme to Council for approval. The programme will include all capital schemes including those proposed to be financed from revenue resources or external funding sources or the realisation of capital receipts from the disposal of surplus assets that have been identified in accordance with the Corporate Property Assets Disposal Protocol.
- 4.10.3 Capital Schemes will be grouped into three main categories:
- Rolling Programmes
 - Capital Schemes (gross expenditure budget £60,000 and above)
 - Minor Capital Schemes (gross expenditure budget £59,999 and below).
- 4.10.4 **Outline Business Case** All categories of capital projects will require an Outline Business Case in order to be considered for inclusion in the proposed Capital Programme. An Outline Business Case will normally have best estimates of capital and revenue costs, timescales, and deliverables. Outline Business Cases will be approved by the relevant Executive Member in consultation with the relevant Director, the Executive Member Corporate Resources and the Chief Finance Officer.

- 4.10.5 **Detailed Business Case** A Detailed Business Case will have fully validated costs (including ongoing revenue costs), timescales, deliverables and where necessary an exit strategy. The process for approving capital schemes for subsequent implementation will be different according to their category and is explained in paragraphs 4.10.6 to 4.10.11 below.
- 4.10.6 **Rolling programmes** in the Council's Capital programme are largely concentrated on infrastructure and asset improvement and maintenance.
- 4.10.7 After a Rolling Programme has been approved by the Council for inclusion in the Capital Programme, a single Detailed Business Case will be produced for the whole programme before it proceeds. The detailed Business Case should be updated annually.
- 4.10.8 The Detailed Business Case and release of capital expenditure will be approved by the relevant Executive Member in consultation with the relevant Director, the Executive Member for Corporate Resources and the Chief Finance Officer.
- 4.10.9 **Capital Schemes** (gross expenditure budget £60,000 and above)
- 4.10.10 After a Capital Scheme has been approved by the Council for inclusion in the Capital Programme, a Detailed Business Case will be produced for the scheme. Executive approval to implement will be required for schemes with a gross expenditure budget exceeding £499,999. Schemes with a gross expenditure budget above £59,999 but below £500,000 can proceed with the approval of the relevant Executive Member in consultation with the relevant Director, Executive Member for Corporate Resources and the Chief Finance Officer.

- 4.10.11 For Capital Schemes, some further costs may need to be incurred to take a project up to Detailed Business Case stage. The relevant Executive Member in consultation with the relevant Director, the Executive Member Corporate Resources and the Chief Finance Officer can authorise expenditure up to a level of 10% (not to exceed £60,000) of the approved gross expenditure budget at this stage to enable a Detailed Business Case to be produced. The revenue budget of the applicable directorate will meet these costs if ultimately the scheme does not proceed for any reason.
- 4.10.12 **Minor Capital Schemes** (gross expenditure budget £59,999 and below)
- 4.10.14 A Detailed Business Case is not required for these schemes and Minor Capital Schemes in this range can proceed with the approval of the relevant Executive Member in consultation with the relevant Director, Executive Member for Corporate Services and the Chief Finance Officer.
- 4.10.15 In year, the Executive may approve expenditure on Capital Schemes that have not previously been included in the Capital Programme, but which were included in the Reserve list approved by Council when setting the Capital Programme or are schemes with gross expenditure budgets exceeding £499,999 which are to be funded in full from external sources. Approval is subject to the production of Outline and Detailed Business Cases and confirmation that the revenue cost of such schemes can be accommodated from within the approved revenue budget for the Capital Programme in the relevant financial year, as confirmed by the Chief Finance Officer and the Executive Member for Corporate Resources.
- 4.10.16 In year, the Executive may approve expenditure on new Capital Schemes estimated to cost less than £500,000 net of external funding that have not previously been included in the Capital Programme, subject to the production of Outline and Detailed Business Cases. New Capital Schemes estimated to cost more than £500,000 net of external funding must be approved by Council if not previously included on the Reserve List.

4.10.17 Schemes that are fully externally funded and where the gross expenditure budget is less than £500,000 can be included in the Capital Programme with the approval of the relevant Executive Member in consultation with the relevant Director, Executive Member for Corporate Resources and the Chief Finance Officer subject to the production of Outline and Detailed Business Cases.

4.10.18 Variations from the Detailed Business Case

Where there are variations in the net costs of capital schemes compared with the provision in the Detailed Business Case, additional costs will be approved in accordance with the following conditions:-

Existing Scheme – net capital budget - Additional Costs	Approval Powers
Up to £150,000 of the approved net scheme budget	Relevant Executive Member and relevant Director and Chief Finance Officer
Between £150,000 and £500,000 of the approved net scheme budget	Executive
Over £500,000 of the approved net scheme budget	Council

4.10.19 Where additional costs are agreed, the relevant Executive Member in consultation with the relevant Director will seek compensatory savings.

4.10.20 The Chief Finance Officer will report to the Executive on the monitoring of the approved Capital Programme, including: expenditure and income to date; projected expenditure and income and approved variations.

4.11 Maintenance of Reserves

4.11.1 The Council must determine the level of general reserves it wishes to maintain when setting the Council Tax. Reserves must be sufficient to meet unexpected events and protect the Council from over spends should they occur. Earmarked reserves may also be established for specific purposes.

4.11.2 The Chief Finance Officer will advise the Council on the levels of reserves that it is prudent to maintain, and will account for the Council's reserves in accordance with relevant Codes of Practice, ensuring the purpose and usage of reserves is clearly identified.

5. Risk Management and Control of Resources:

5.1 It is fundamental that robust, integrated systems are in place and maintained for the identification and evaluation of all significant operational risks to the authority. This is a responsibility of every officer and every service. Advice is available from the Head of Audit and Risk on these matters.

5.2 Risk Management:

5.2.1 The Audit Committee is responsible for reviewing the effectiveness of the Council's risk management arrangements, including the approval of the Council's Risk Management Policy Statement.

5.2.2 The Audit Committee, in conjunction with the Executive, is responsible for promoting a culture of risk awareness throughout the Council.

5.2.3 The Corporate Management Team is responsible for preparing the Council's Risk Management Policy Statement, promoting it to officers.

5.2.4 Directors will ensure that procedures are in place to identify, assess, and prevent or contain material known risks and that suitable financial provision is made for remaining risks, for example bad debts.

5.2.5 Directors must ensure that insurance covers are regularly reviewed for their adequacy and that any new risks are covered. Directors will notify the Chief Finance Officer immediately of any loss, liability or damage likely to lead to a claim against the Council.

5.2.6 The Chief Finance Officer will ensure that corporate insurance cover and insurance cover required by Directors is carried out, either by external cover or by self-insurance, and will negotiate all claims.

5.2.7 Directors will prepare and maintain Business Continuity Plans and Disaster Recovery Plans to deal with system failures or other disastrous events.

5.3 **Internal Control:**

- 5.3.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 5.3.2 At least once a year the effectiveness of the systems of internal control shall be reviewed and reported to the Audit Committee, who shall review and approve the Statement of Internal Control separately from the Statement of Accounts.
- 5.3.3 The Chief Finance Officer shall ensure that procedure notes/manuals are maintained in respect of the Council's key financial systems.
- 5.3.4 Assistant Directors and Heads of Service shall establish effective control arrangements in order to deliver service objectives and value for money. Typically these would include:-
 - 5.3.4.1 Separation of duties
 - 5.3.4.2 Schemes of delegation
 - 5.3.4.3 Retention of records
 - 5.3.4.4 Security arrangements
 - 5.3.4.5 Risk management information and where appropriate Business Continuity Plans

5.4 **Internal Audit:**

- 5.4.1 The Chief Finance Officer shall maintain an adequate and effective Internal Audit Service in accordance with the Accounts and Audit Regulations 2006. The Chief Finance Officer/Head of Internal Audit and Risk shall arrange for the examination, review and appraisal of:-
 - 5.4.1.1 The soundness, adequacy and application of internal controls;
 - 5.4.1.2 The safeguards for council assets and interests from losses of all kinds arising from theft, fraud, waste, extravagance, inefficient management, poor value for money or any other cause;
 - 5.4.1.3 The suitability and reliability of financial and other management data; and

- 5.4.1.4 Compliance with rules, legislation, policy and procedures.
- 5.4.2 The Audit Committee will conduct an annual review of the effectiveness of the system of internal audit.
- 5.4.3 The Head of Internal Audit and Risk and all Internal Audit officers have authority to:-
 - 5.4.3.1 Enter at any time Council premises or land subject to any statutory or contractual restrictions that may apply, e.g. health and safety;
 - 5.4.3.2 Have access to all records, documents, correspondence, information and data relating to all areas of the Council's business and to remove any such records as is necessary for the purposes of their work (including that of the Council's agents and contractors);
 - 5.4.3.3 Require and receive such explanations as are necessary concerning any matter under examination; and
 - 5.4.3.4 Require any Member, officer or agent of the Council to produce cash, stores or any other Council property under their control.
- 5.4.4 The Head of Internal Audit and Risk shall have unobstructed direct access and the right of report to the Chief Executive, Directors, Assistant Directors, the Monitoring Officer, the external auditors, the Executive, the Leader, the Executive Member with responsibility for Audit and the Chairman of the Audit Committee.

5.5 Preventing Fraud and Corruption:

- 5.5.1 All Council officers, members, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Council resources must be administered to the benefit of the taxpayer and not the inappropriate personal benefit of any of the above.
- 5.5.2 The Chief Finance Officer will develop and maintain an Anti-Fraud and Anti-Corruption Policy.

5.5.3 Officers, councillors, agents or contractors of the Council have a responsibility to bring any suspected fraud, corruption or irregularity to the attention of the Head of Internal Audit and Risk, the Chief Finance Officer or any Director.

5.5.4 Directors will notify the Chief Executive, the Monitoring Officer, the Chief Finance Officer, the Leader, and the relevant Executive Member immediately, and before any further investigation, of any suspected fraud, theft, irregularity, improper use or misappropriation of council property or resources. Any suspected fraud, bribery, corruption or loss will be investigated in accordance with the Council's Anti-Fraud and Anti-Corruption Policy.

5.6 Treasury Management:

5.6.1 Council will approve a Treasury Management Policy Statement on a periodic basis. This policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially affect the effectiveness of the current policy. The Council will approve on an annual basis an Annual Treasury Management Strategy and Prudential Borrowing Indicators.

5.6.2 The Chief Finance Officer is responsible for presenting, implementing and monitoring the approved policy, in compliance with relevant Codes of Practice.

5.6.3 The Chief Finance Officer is responsible for reporting to the Executive at least annually on the activities of treasury management and the exercise of his/her delegated executive powers.

5.6.4 The Chief Finance Officer is responsible for authorising and operating the Council's banking arrangements. All Directors will comply with the detailed rules set for the banking of income and operation of bank accounts.

5.7 Asset Management:

5.7.1 The Chief Finance Officer will ensure that procedures are put in place for the safeguarding and security of the Council's assets, including the keeping of asset registers; a terrier of land and property; inventories of furniture, fittings and equipment; and stores records.

5.7.2 The Chief Finance Officer will ensure that detailed arrangements are in place for the disposal or acquisition of interests in assets. All disposals or acquisitions of interests in land and buildings will be undertaken in accordance with the scheme of delegations. Council, in accordance with the Budget and Policy Framework Procedure Rules, must approve any disposals or acquisitions of land and buildings that are outside of the Budget and Policy Framework.

6. Systems and Procedures:

- 6.1 Sound systems and procedures are essential to an effective framework of accountability and control.
- 6.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and supporting financial records.
- 6.3 Directors are responsible for the proper operation of financial processes in their departments, implementing the detailed Financial Procedures.
- 6.4 Changes to departmental financial procedures and the introduction of new Financial Procedures must not proceed without the approval of the Chief Finance Officer.
- 6.5 The Chief Finance Officer must approve the development, acquisition and implementation of all IT systems. All such activities must conform to the Council's IS/IT Strategy, standards and procedures.

7. External Arrangements:

- 7.1 Local authorities provide an important leadership role for the community and bring together the contributions of the various stakeholders. They must also act to promote and improve the economic, social and environmental well being of their respective areas.
- 7.2 **Significant Partnerships:**
 - 7.2.1 A significant partnership is one that is material in terms of the amount of money involved and/or the level or nature of service delivery concerned.
 - 7.2.2 The Council's strategy and governance arrangements for partnerships are set out in **Part J** of the Constitution.

- 7.2.3 Where the Council is the lead authority for a partnership the Council's Financial Code of Governance, Financial Procedures, and Code of Procurement Governance will apply to carrying out of the business of that partnership.
- 7.2.4 The Chief Finance Officer must ensure that the accounting arrangements for partnerships and joint ventures are satisfactory, that the governance and legal issues have been satisfactorily addressed, and that the risks have been fully appraised.
- 7.2.5 The Chief Finance Officer should ensure that the Partnership Agreement contains details of how resources will be pooled and what controls will be operated in respect of partnership spending to avoid waste. Directors will ensure that the Chief Finance Officer has access to the accounts and records and the right to seek explanations in order to monitor deployment of the Council's funding.
- 7.2.6 Directors will ensure that:-
- 7.2.7.1 All necessary approvals have been secured before concluding any negotiations with external parties;
 - 7.2.7.2 A register is maintained of all contracts entered into with external parties; and
 - 7.2.7.3 Any agreement will not adversely affect any services provided by the Council.

7.3 **External Funding:**

- 7.3.1 All Members and officers involved in setting up and working for partnerships must comply with the Partnerships Protocol included in **Part J** of the Constitution.
- 7.3.2 The Chief Finance Officer will ensure that the Council's budgets contain sufficient provision for its match funding obligations and that all external funding due to the Council is received and properly recorded.

7.3.3 Directors will ensure that conditions attached to external funding are properly complied with, that such conditions have been agreed by the Corporate Management Team or Executive as appropriate, and that claims are processed by the due date. Directors will ensure that any match funding is in place before committing the Council to any long-term agreement.

7.4 Interests in Companies:

7.4.1 Prior to the Council, or any officer on behalf of the Council, taking an interest (e.g. membership, share holding or directorship) in a company, advice should be sought from the Monitoring Officer and the Chief Finance Officer.

7.4.2 Any clauses required by the Monitoring Officer and/or the Chief Finance Officer to safeguard the Council's position must be included in the company's Memorandum and Articles of Association.

7.4.3 Members must declare any interests (e.g. membership, share holding or directorship) in a company on their Declaration of Interests form.

7.5 Voluntary Funds and Trustees:

7.5.1 A voluntary fund is any fund, which, although not officially owned by the Council, is controlled or administered solely, or in part, by an officer by reason of his/her employment by the Council.

7.5.2 Council officers or partners must not administer voluntary funds, either solely or in part in the course of their duties, unless they have been authorised to do so by a Director, and satisfactory and effective systems of control are in place for management of the fund.

7.5.3 The Chief Finance Officer will have full access to the records of the fund and will be entitled to carry out such checks as considered appropriate.

7.6 Schools: The Code of Financial Governance applies to schools within Central Bedfordshire and schools should conduct their financial affairs in accordance with the Financial Procedures for Schools published separately.