

Appendix A

Financial Governance

1. FINANCIAL GOVERNANCE STANDARDS

Why is this important?

- 1.1 All officers 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

- 1.2 The key controls and control objectives for financial governance standards are:
- (a) the promotion of good governance throughout the authority;
 - (b) adherence to relevant codes of conduct by members and officers; and
 - (c) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Council.

Responsibility of the Head of Paid Service (Chief Executive)

- 1.3 To establish a framework for management direction, style and standards and for monitoring the performance of the organisation.

Responsibility of the Monitoring Officer

- 1.4 To promote and maintain high standards of financial conduct.
- 1.5 To advise (together with the Chief Finance Officer) the Cabinet or Council 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 inter-service 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.

Responsibilities of the Chief Finance Officer

- 1.6 To set the financial management standards and ensure the proper administration of the financial affairs of the authority.
- 1.7 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.

- 1.8 To ensure that financial information is available to enable accurate and timely monitoring.
- 1.9 To complete all grant claims and other financial returns required by government departments and other bodies.
- 1.10 To monitor compliance with financial management standards
- 1.11 To advise on the key financial controls necessary to secure sound financial management.

Responsibilities of Chief Officers

- 1.12 To promote the financial management standards set by the Chief Finance Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- 1.13 To promote sound financial practices in relation to the standards, performance and development of staff in their services.
- 1.14 To maintain such records as are required to enable the Chief Finance Officer to complete all grant claims and other financial returns required by government departments and other bodies.
- 1.15 To consult the Chief Finance Officer prior to the release of financial information to any external persons or parties except where the data relates directly and solely to systems operated by the Chief Officer concerned and where the release of information is in accordance with the Data Protection Policy.

2. ACCOUNTING POLICIES AND ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

- 2.1 The Chief Finance Officer 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: A Statement of Recommended Practice (SORP), for each financial year ending 31 March.

Key controls

- 2.2 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; and
 - (d) financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

Responsibilities of the Chief Finance Officer

- 2.3 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) fixed assets
 - (e) depreciation
 - (f) work in progress
 - (g) stocks and stores
 - (h) accounting for value added tax
 - (i) government grants
 - (j) leasing
 - (k) pensions
- 2.4 To make judgements and estimates that are reasonable and prudent.
- 2.5 To comply with the SORP.
- 2.6 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- 2.7 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 each year.

Responsibilities of Chief Officers

- 2.8 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

3. ACCOUNTING RECORDS AND RETURNS

Why is this important?

- 3.1 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 which provides assurance that the accounts are prepared properly and that proper accounting practices have been followed.

Key controls

- 3.2 The key controls for accounting records and returns are:
- (a) all Portfolio Holders, finance staff and spending control officers 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) business continuity 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; and
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Chief Finance Officer

- 3.3 To determine the accounting procedures and records for the authority and to arrange for the compilation of all such accounts and accounting records under his or her direction.
- 3.4 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2003.
- 3.5 To comply 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; and
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 3.6 To ensure that all claims for funds including grants are made by the due date.
- 3.7 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 Council to approve the statement of accounts before 30 June.
- 3.8 To administer the authority's arrangements for under and overspendings to be carried forward to the following financial year.
- 3.9 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

Responsibilities of Chief Officers

- 3.10 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 3.11 To comply with the principles outlined in paragraph 3.5 when allocating accounting duties.
- 3.12 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 3.13 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.