

## **APPENDIX A: FINANCIAL MANAGEMENT**

### **1 FINANCIAL MANAGEMENT STANDARDS**

#### Key Controls

- 1.1 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

#### Responsibilities of the Section 151 Officer

- 1.2 To ensure the proper administration of the financial affairs of the authority.
- 1.3 To set the financial management standards and to monitor compliance with them.
- 1.4 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.
- 1.5 To advise on the key strategic controls necessary to secure sound financial management.
- 1.6 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 Group Managers

- 1.7 To promote the financial management standards set by the Section 151 Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.
- 1.8 To promote sound financial practices in relation to the standards, and development of staff in their services.

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## 2 MANAGING EXPENDITURE – SCHEME OF VIREMENT

### Key Controls

- 2.1 Key controls for the scheme of virement are:
- (a) it is administered by the Section 151 Officer within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council.
  - (b) the overall budget is agreed by the Cabinet Executive and approved by the full Council. Budget holders 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 purpose of this scheme, a budget head is considered to be a line in the approved estimates report or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA's Service Expenditure Analysis, i.e., employees, premises etc.
- 2.2 Virement does not create additional overall budget liability. Budget holders 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. Budget holders must plan to fund such commitments from within their own budgets.

### Responsibilities of the Section 151 Officer

- 2.3 To prepare jointly with the relevant budget holder a report to the Cabinet Executive where a virement between services and exceeding £25,000 is proposed, and to report to the Cabinet Executive on the overall amounts vired under this scheme from time to time.

### Responsibilities of the Budget Holders

- 2.4 Sums provided in the annual estimates may be transferred between items as set out in the virement limits table below.

From	To	Level of Authorisation	Virement Scope	Additional Requirements
£0	Unlimited	Service Manager	Within same cost centre	By way of email request to Financial Services
£0	£25,000	Group Manager,	Across cost centres within same Group	By way of email request to Financial Services
£0	£25,000	Group Managers and S151 Officer	Across cost centres in different Groups	Virement Form to be completed
£25,001	Above	Group Manager and S151 Officer	Across cost centres within same Group	Virement Form to be completed
£25,001	£50,000	Cabinet Executive	Across cost centres in different Groups	Subject to joint report of S151 Officer and Group Manager, including any future year implications
£50,001	Above	Full Council	Across cost centres in different Group	Within existing Policy and Budget Framework Report must include year implications

- 2.5 No virement relating to a specific financial year should be made after 31 March in that year.
- 2.6 Virement to or from establishment related budgets shall not be permitted unless otherwise approved by the Section 151 Officer.
- 2.7 Virement to or from uncontrollable budgets such as capital charges and support costs shall not be permitted.
- 2.8 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,

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provided that it is used in accordance with the purposes for which it has been established.

- 2.9 Where new budget provision is required in relation to specific grants and/or contributions not included in the original approved budget, the limits described in paragraph 2.4 above will apply.
- 2.10 Except in the circumstances described in paragraph 2.9 above, virement to or from income budgets shall not be permitted unless otherwise approved by the Section 151 Officer.

### **3 ACCOUNTING POLICIES**

#### Key Controls

- 3.1 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 a true and fair view of the financial position of the authority and its expenditure and income

#### Responsibilities of the Section 151 Officer

- 3.2 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:
- separate accounts for capital and revenue transactions
  - the basis on which debtors and creditors at year end are included in the accounts
  - details on substantial provisions and reserves
  - property, plant and equipment
  - depreciation and capital charges
  - financial instruments, loans and investments
  - inventories and long term contracts
  - revenue expenditure funded from capital under statute
  - accounting for value added tax
  - government grants and contributions
  - leasing
  - employee benefits (including pensions)

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### Budget Responsibilities of Budget Holders

- 3.3 To adhere to the accounting policies and guidelines approved by the Section 151 Officer.

## **4 ACCOUNTING RECORDS AND RETURNS**

### Key Controls

- 4.1 The key controls for accounting records and returns are:
- (a) all Cabinet Executive Members, budget holders and finance staff operate within the required accounting standards and timetables
  - (b) all the Council'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 Section 151 Officer

- 4.2 To determine the accounting procedures and record these for the Council. Where these are maintained outside the Finance Service, the Section 151 Officer should advise the budget holders accordingly.
- 4.3 To arrange for the compilation of all accounts and accounting records under his/her direction.
- 4.4 To comply with the following principles as far as practicable 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.
- 4.5 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.
- 4.6 To ensure that all claims for funds including grants are made by the due dates.

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- 4.7 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the statement of accounts by 30th September.

#### Responsibilities of Budget Holders

- 4.8 To maintain adequate records to provide a management trail leading from the source of income / expenditure through to the accounting statement.
- 4.9 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Section 151 Officer.
- 4.10 To ensure the proper retention of financial documents in accordance with the requirements of the Section 151 Officer.

## **5 THE ANNUAL STATEMENT OF ACCOUNTS**

### Key Controls

- 5.1 The key controls for the annual Statement of Accounts are:
- (a) the Council 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 Council, that Officer is the Section 151 Officer.
  - (b) the Council'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.

### Responsibilities of the Section 151 Officer

- 5.2 To select suitable accounting policies and to apply them consistently.
- 5.3 To make judgements and estimates that are reasonable and prudent.
- 5.4 To comply with the Accounting Code of Practice.
- 5.5 To sign and date the Statement of Accounts each year, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March.
- 5.6 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- 5.7 To advise the Council of the balances of each of the Council's funds as soon as practicable after the end of each financial year and indicate alternative

policy decisions which could be taken to revise the method of financing expenditure and the utilisation of financial resources.

#### Responsibilities of Budget Holders

- 5.8 To comply with accounting guidance provided by the Section 151 Officer and to promptly supply the Section 151 Officer with information when required.