

Financial Systems and Procedures

General

Why this is important

- 4.1 Departments have many systems and procedures relating to the control of the Council'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.
- 4.2 The Director, Finance, Revenues and Benefits has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any proposals for new developments or changes.

Key controls

4.3 The key controls for systems and procedures are:

- a) basic data exists to enable the Council'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 and
- d) operating systems and procedures are secure.

Responsibilities of the Director, Finance, Revenues and Benefits

4.4 To make arrangement for the proper administration of the Council's financial affairs, including to:

- issue, advice, guidance and procedures for officers and others acting on the Council's behalf
- determine the accounting systems, form of accounts and supporting financial records
- establish arrangements for audit of the Council's financial affairs
- approve new financial systems to be introduced and
- approve any changes to be made to existing financial systems

Responsibilities of Chief Officers

4.5 To ensure that accounting records are properly maintained and held securely

- 4.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Director, Finance, Revenues and Benefits.
- 4.7 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.

4.8 To incorporate appropriate controls to ensure that, where relevant:

- all input is genuine, complete, accurate, timely and not previously processed
- all processing is carried out in an accurate, complete and timely manner and

- output from the system is complete, accurate and timely

- 4.9 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 Director, Finance, Revenues and Benefits before changing any existing system or introducing new systems.
- 4.13 To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their council.
- 4.14 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Director, Finance, Revenues and Benefits, together with any subsequent variations.
- 4.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computerised systems. Wherever possible, back-up information should be securely retained in a fire-proof 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 Chief 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:
- only software legally acquired and installed by the Council is used on its computers
 - staff are aware of legislative provisions and

in developing systems, due regard is given to the issue of intellectual property rights

Income

Why this is 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 Council's cash flow and also avoids the time and cost of administering debts.

Key controls

4.21 The key controls for income are:

- all income due to the Council is identified and charged correctly, in accordance with all approved charging policy, which is regularly reviewed.
- all income is collected from the correct person, at the right time, using the correct

- procedures and appropriate stationery
- all money received by an employee on behalf of the Council is paid without delay to the Service Director, Revenues, Benefits and Customer Services, or as he or she directs, to the Council's bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that:
 - (i) for identifying the amount due or
 - (ii) for reconciling the amount due to the amount received
 - effective action is taken to pursue non-payment within defined timescales e) formal approval for debt write-off is obtained
 - appropriate write-off action is taken within defined timescales g) appropriate accounting adjustments are made following write-off action
 - all appropriate income documents are retained and stored for the defined period in accordance with the document retention scheme and
 - 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 Director, Finance, Revenues and Benefits

- 4.21 To order and supply to Departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 4.22 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- 4.23 To agree the write-off of bad debts up to an approved limit each case and to refer larger sums to the Executive
- 4.24 To approve all debts to be written off in consultation with the relevant Chief 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 (as amended).
- 4.25 To obtain the approval of the Executive in consultation with the relevant Chief Officer for writing off debts in excess of the approved limit.
- 4.26 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Chief Officers

- 4.27 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, particularly the corporate charging policy.
- 4.28 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as it is practicable.
- 4.29 To establish and initiate appropriate recovery procedures, including liaising with the Head of Legal Services to take legal action where necessary, for debts that are not paid promptly.
 - 4.30 To issue official receipts or to maintain other documentation for income collection.
- 4.31 To ensure that at least two employees are present when post is opened so 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 Council 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 Director, Finance, Revenues and Benefits with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Director, Finance, Revenues and Benefits to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Chief Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Director, Finance, Revenues and Benefits. Chief Officers have a responsibility to assist the Director, Finance, Revenues and Benefits in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Only up to approved levels of cash can be held on the premises.
- 4.37 To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.38 To recommend to the Director, Finance, Revenues and Benefits all debts to be written off, which shall be in accordance with the Scheme of Delegation to Officers (Executive functions) at Part 5 B of the Council's Constitution. 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 Director, Finance, Revenues and Benefits when writing off debts in excess of the approved limit, and the approval of the Executive where required.
- 4.40 To notify the Director, Finance, Revenues and Benefits of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director, Finance, Revenues and Benefits and not later than 30 April.
- 4.41 To keep a record of the approvals obtained for write-offs of debt, whether by approval of the Director, Finance, Revenues and Benefits, or the Executive.

Payments to Employees and Members

Why this is important

4.42 Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council 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 Full Council.

Key controls

4.43 The key controls for payments to employees and members are:

- proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
- leavers
- variations
- enhancements and
- that payments are made on the basis of timesheets or claims
- frequent reconciliation of payroll expenditure against approved budget and bank account
- all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention scheme and
- that Inland Revenue Regulations are complied with

Responsibilities of the Director, Finance, Revenues and Benefits

4.44 To arrange and control secure and reliable payment of pay, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.

4.45 To record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions.

4.46 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

4.47 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

4.48 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

4.49 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

Responsibilities of Chief Officers

4.50 To ensure appointments are made in accordance with the Regulations of the Council and approved establishments, grades and scale of pay and that adequate Budget provision is

available.

4.51 To notify the Director, Finance, Revenues and Benefits 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, Finance, Revenues and Benefits.

4.52 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 and
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

4.53 To send an up-to date list of the names of officers authorised to sign records to the personal director, together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.

4.54 To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Director, Finance, Revenues and Benefits.

4.55 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 proper payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Director, Finance, Revenues and Benefits is informed where appropriate.

4.56 To ensure that the Director, Finance, Revenues and Benefits is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax- self assessment system.

4.57 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention scheme.

Responsibility of Members

4.58 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 this is important

4.59 Like all organisations, the Council 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

4.60 The key controls for taxation are:

- budget managers are provided with relevant information and kept up to date on tax issues
- budget managers are instructed on required record keeping
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with the instructions and

- Returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Director, Finance, Revenues and Benefits

4.61 To complete all Inland Revenue returns regarding PAYE.

4.62 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.

4.63 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.

4.64 To maintain up-to date guidance for Council employees on taxation issues in the accounting manual and the tax manual.

Responsibilities of Chief Officers

4.65 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise Regulations.

4.66 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

4.67 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staffing agency.

4.68 To follow the guidance on taxation issued by the Director, Finance, Revenues and Benefits in the Councils accounting manual and VAT manual.

Trading Accounts and Business Units

Why this is important

4.69 Trading accounts and business units are an important part of local authorities due to the need to be more financially self-sustaining. Councils 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.

Responsibilities of the Director, Finance, Revenues and Benefits

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

Responsibilities of Chief Officers

4.71 To consult with the Director, Finance, Revenues and Benefits where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered in to unless they can be terminated within the main contract period without penalty.

4.72 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.

4.73 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

4.73 To ensure that each business unit prepares an annual business plan which is subject to continuous review and updating and management accounts are produced regularly.

Ordering and paying for works, goods and services

Why this is important

5.1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value from their purchasing arrangements. These procedures should be read in conjunction with the Council's Procurement Policy and Chapter 9 of Standing Orders P(art 3 A of the Council's Constitution).

General

5.2 Every Member and officer of the Council 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 Council, in accordance with appropriate codes of conduct.

5.3 Official orders must be in a form approved by the Director, Finance, Revenues and Benefits. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exception specified by the Director, Finance, Revenues and Benefits.

5.4 Each order must conform to the guidelines approved by the Full Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Director, Finance, Revenues and Benefits.

5.5 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the Council shall be electronic payment via twice-weekly runs from the creditors system, drawn on the Council's bank account. The use of direct debit shall require the prior agreement of the Director, Finance, Revenues and Benefits.

5.6 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts unless specifically authorised for personal use as part of the Council's employee benefits system.

Key controls

5.7 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 Council's Procurement Standards unless they are purchased from sources within the Council

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 Council to the correct price, quantity and quality standards

- 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 detained and stored for the defined period, in accordance with the document retention scheme.
- g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected and
- 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 Service Director, Inclusive Growth

- 5.8 To develop, maintain and promote the Council's Procurement Policy and Corporate Procurement Strategy, making recommendations to Executive for approval of any changes required.
- 5.9 To ensure that goods and services are ordered by authorised staff in accordance with the Council's procurement and contract procedure rules, following procurement requests and authorisations from departments, and in a way that achieves best value.
- 5.10 To approve the form of official orders and associated terms and conditions
- 5.11 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. However, payments made by direct debit must have the prior written approval of the Director, Finance, Revenues and Benefits.
- 5.12 To promote the use of development of the council's procurement standards to ensure the cost-effective purchasing of goods, works and services.
- 5.13 To ensure that all the Council's financial systems and procedures are sound and properly administered.
- 5.14 To approve any changes to existing financial systems and to prove any new systems before they are introduced.
- 5.15 To make payments from the Council's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial Regulations.
- 5.16 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.
- 5.17 To make payments to contractors on the certificate of the appropriate Corporate Director OR Service Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 5.18 To provide advice and encouragement on making payments by the most economical means.
- 5.19 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken in to account in budget monitoring reports.

Responsibilities of the Service Manager, Procurement

- 5.20 To develop, maintain and promote the council's Procurement Policy and associated strategies and standards.
- 5.21 To approve the form of official orders and associated terms and

conditions.

Responsibilities of Chief Officers

5.22 To publicise, promote, and ensure the use of the Council's Procurement Policy and procurement guidance throughout their departments.

5.23 To ensure that officers assigned Government Procurement Cards maintain records in the forms prescribed by the Service Director, Inclusive Growth and the Director, Finance, Revenues and Benefits, so that all VAT can be properly accounted for and recovered and that all expenditure is properly coded.

5.24 To appoint Procurement Officers with defined levels of responsibility and record those appointments.

5.25 To ensure that Procurement Officers and all staff involved in procurement processes are properly trained, managed and monitored.

5.26 To ensure that records required under the procurement standards are fully kept and available to persons needing to see them.

5.27 To ensure that purchase orders are raised for all goods and services, other than exceptions specifically agreed by the Service Director, Inclusive Growth.

5.28 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:

- that the goods receipt note matches the order number, where it exists

Banking and Cash Handling Procedures

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Banking and cash handling procedures

1 Introduction:

The Banking and cash handling procedures (the procedures) augment the Financial Regulations on Banking Arrangements, Income, Petty Cash and Cash Floats and Security and therefore have the same standing as the Financial Regulations.

Chief Officers must ensure that all managers within their departments have read and understood the Procedures and that they are complied with at all times. Furthermore, all staff involved in cash handling and banking should be made aware of the requirements of and have access to the Procedures. Management and staff should be advised that disciplinary procedures may be taken against them if they fail to comply with the Procedures.

The Procedures represent the minimum standard that must operate throughout the Council. Managers may incorporate additional procedures if they enhance the requirements of the Procedures. Under no circumstances should the requirements of the Procedures be reduced or omitted.

The procedures are intended to offer guidance to managers and staff on the minimum required procedures for the collection, control and banking of the council income. For the purpose of these Procedures income includes that received direct by cash, cheques, credit cards and debit cards and cash floats held on council premises.

The objectives of the Procedures are to ensure that:

- All income received and held by the Council is completely and accurately accounted for and banked promptly.
- All income is held securely.

Why this is important

Income is a vulnerable and attractive asset. It can easily be misappropriated if not effectively controlled. Effective controls over cash collection, retention and banking systems are necessary to ensure that all income due to or held by the Council is identified, collected, receipted and banked properly and promptly.

Key controls

- All income due to or held by the Council is identified and charged correctly, in accordance with an approved charging policy.
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate record-keeping.
- All income received by an employee on behalf of the Council is paid without delay to the Council's bank account, and properly recorded.

- All income collected and deposited is regularly reconciled to bank and accounts.
- All income kept on Council premises is held securely.

Responsibilities of the Director, Finance, Revenues and Benefits

- To specify the information required from Cost centre managers and Chief Officers in accordance with the Scheme of Devolved Financial Management.
- To agree arrangements for the collection and retention of all income due to the Council and to approve the procedures, systems and documentation for its collection.

Responsibilities of Chief Officers

- To ensure all charges made are in line with the approved scale of charges for the supply of goods or services, and to review and make proposals for updates annually, in line with corporate policies.
- To issue official receipts or maintain other documentation for the collection of income.
- To ensure that at least two members of staff are present at the cashing up and completion of bank paying in records.
- To ensure that receipts, tickets and other records of income are held securely.
- To safeguard all income against loss or theft.
- To ensure income received is paid fully and promptly into the appropriate bank account in the form in which it is received.
- To ensure details are recorded on to paying-in slips to provide an audit trail.
- To ensure that income is not used to cash personal cheques or other payments.
- To ensure that all managers within their department have read and understood the Council's "Banking and Cash Handling Procedures" and that these are complied with at all times.

2 Receipt of Income

Each Chief Officer is responsible for ensuring that all income due to their department is received and is completely and accurately accounted for.

All income received must be receipted immediately upon being received and must be recorded by the issue of an Official Council receipt or cash register receipt. Council receipt books are obtained from the Procurement team.. It should be noted that income received through the post may not be receipted immediately and should be recorded in a remittance register at the

time of post opening pending transfer to staff for receipting.

Official receipts must only be used for acknowledging receipt of official Council income. Under **NO** circumstances should they be used to acknowledge unofficial/non Council income unless specifically authorised by the Chief Officer, e.g. Social Services Amenity Funds.

a) Issuing manual official receipts

Manual receipts must only be issued where a cash register is NOT operated or where it is temporarily out of action, e.g. awaiting repair.

- Official receipts must be issued at the time the income is collected/received. Under **NO** circumstances should receipts be written retrospectively.
- All receipts must be written in ball point pen.
- Carbon paper must be used to obtain the duplicate copy. Care must be taken to ensure that the quality of the carbon paper is such that duplicate copies are satisfactory, i.e. readable.
- No amendments are to be made to receipts. If an error is made the receipt must be cancelled. In the event of a receipt needing to be cancelled, both the top and all copies must be retained in the receipt book as proof of cancellation.
- Receipts must be dated, the payer's name recorded and all required information completed. Only then should the receipt be signed by the member of staff collecting the income and the top copy issued to the payer.

b) Receipt of cheques

Where cheques are tendered by individuals at the time of the payment, i.e. not by post, the cheque should be supported by a cheque guarantee card unless otherwise directed by the Chief Officer.

Where a cheque guarantee card is produced the following checks to the card must be applied before the payment is accepted and a receipt issued:

- The card relates to the person tendering the cheque.
- The card is current, i.e. has not expired
- The payment received is not in excess of the card limit. If this is the case then the cheque should not be accepted unless specific council has been given by the Chief Officer or designated person.
- The signature on the cheque is the same as that on the card.
- The cheque card number, expiry date and value are written on the back of the cheque.

It should be noted that where a cheque guarantee card is required it is not permitted by law to draw several cheques with individual values not exceeding that of the card to satisfy a payment that exceeds the value of the card.

All cheques should be payable to Luton Borough Council and “crossed a/c payee only” and the location where received identified on the back.

c) Receipt of credit/debit card payments

The receipt of credit and debit card transactions will be recorded in accordance with the instructions laid down by the respective credit/debit card issuer when setting up the facility to receive such payments.

Income from credit and debit cards will be controlled in much the same way as income received by cheque, i.e. card validation, but will need to be identified separately on banking records in order that the income can be traced by Central Cashiers when received through the banking system. This is because there is normally a delay in receiving income from these transactions.

Where income is received by the use of credit or debit cards it must be determined that the card is current before the payment is accepted and a receipt is issued. Note it may be necessary to contact the card issuer to determine that the level of credit available covers the payment to be received. This will be stated in the instructions of the card issuer.

3 Cash Controls and Security

Financial Regulations requires that each Chief Officer is responsible for ensuring that all income received is accurately accounted for and banked.

In order to satisfy the requirements of these Regulations it will be necessary to establish and operate basic controls over cash, including cheques, and safes as follows.

Control of cash collected

Chief Officers are responsible for ensuring that all cash is held securely, that is, in a locked receptacle, e.g. cupboard, draw or cash box, or in a safe. They are also responsible for ensuring that all staff who may handle cash are aware of the maximum insurable amount that can be held in a locked receptacle, or safe, and that they ensure the amounts held are below those maximums. Managers and the Internal Audit Service can place more restrictive limits to encourage safer cash handling. Therefore, all those involved in cash handling should take great care to avoid the amounts held at any time being in excess of insured limits or those limits advised by managers or the Internal Audit Service.

Where cash and cheques are received the following controls must be applied:

- All cash and cheques must be held securely when on Council premises ideally in a safe, or lockable cupboard/drawers or lockable cash boxes where a safe is not provided. Insured limits must be adhered to.
- Only officers with the Service Director's written authorisation are to have access to either floats or takings.
- Any floats must be held in a safe, or lockable cupboard/drawer or cash boxes for smaller amounts when not in immediate use.
- Cash and cheques held overnight before banking must be held in a safe or lockable cupboard/drawer or cash boxes pending the banking.
- Where lockable cash boxes are used these must be held in a lockable cupboard/drawer when not in immediate use.

- Access to safes will be in accordance to the section on security and access to

safes.

- Access to lockable cupboards, drawers and cash boxes must be controlled with designated key holders.
- Keys must be held on the person of the authorised key holder at all times and must not be left unattended on the premises overnight as this will invalidate insurance cover.
- Personal cheques (staff and public) must not be exchanged for cash.

Cashing up (non cash register)

The following procedures are to be applied where income is collected but not processed through a cash register:

- Official receipts will be issued for all income received that is not processed through a cash register.
- Income collected will be counted by two members of staff.
- Income collected will be agreed by the two members of staff to receipts issued.
- The last receipt issued prior to banking must be endorsed with the total amount to be banked. This is to assist staff at future cashing ups to identify the first receipt to be included.
- Details of income collected will be entered on the paying in slip and signed by the two members of staff involved in the cashing up process.
- Income collected must be retained in a secure place pending banking in accordance with these procedures, e.g. safe, lockable cupboard, drawer or cash box.

Security of and Access to Safes

Where safes are operated the following procedures must be applied:

- For each safe there must be at least two, but not more than four, members of staff with authorised access, e.g. authorised key holder.
- Whenever access to the safe will be required, a member of staff with authorised access will be on site.
- Safe keys must be retained on the person of the authorised key holder at all times when on duty.
- Safe keys must not be left on the premises overnight.
- Records of combination numbers must not be left on the premises at any time.
- Where safe keys and/or combination numbers are given temporarily to a member of staff not normally authorised to hold them e.g. holiday cover, written permission must be given by the Service Director or person designated by the Service Director.

- The transfer of the safe key or combination number must be formally recorded by the member of staff concerned who should sign, date and retain the record
- A safe may be open only when in immediate use and when a member of staff with authorised access is in the immediate vicinity
- Whenever an authorised key holder leaves the council, changes employment or temporary cover ends, the Chief Officer or designated person must ensure that the safe key is received.
- Where an authorised combination holder leaves the Council, changes employment or temporary cover ends, the Chief Officer or designated person must ensure that the combination of the safe is changed immediately
- Any loss of a safe key must be reported immediately to the Chief Officer.
- Insured limits must be considered in the retention of income pending banking, i.e. the maximum amount of cash insured, dependent on whether that cash is held in a safe or a locked receptacle, e.g. drawer, cupboard.

Security and access to lockable cupboards, drawers or cash boxes. Where

safes are not operated the following must be applied:

- All income must be stored in a lockable cupboard or drawer pending banking.
- Where a cash box is used this must be stored in a lockable cupboard/drawer when not in use.
- Access to the cupboard/drawer/cash box must be restricted, e.g. to no more than four members of staff.
- Whenever access to the cupboard/drawer/cash box will be required a member of staff with authorised access must be on site.
- Keys must be retained on the person of the authorised keyholder at all times when on duty.
- Keys must not be left on the premises overnight.
- Where a member of staff is given temporary access to the lockable cupboard/drawer/cash box written permission must be obtained from the Service Director or designated person.
- The transfer of keys must be formally recorded by the members of staff concerned, who must sign, date and retain the record.
- The lockable cupboard/drawer/cash box must be open only when in immediate use;
and when a member of staff with authorised access is in the immediate vicinity.
- Whenever an authorised key holder leaves or changes employment or temporary cover ends the Chief Officer or designated person must ensure that the key is returned.

- Any loss of keys must be immediately reported to the Chief Officer.

4 Cash Registers

Cash Registers must be suitable for the purpose intended and management must take care when considering what type of cash register to purchase. To that end advice should be sought from the Procurement team when purchasing cash registers to ensure suitability.

Staff must not tamper with the cash register for example altering pre-set keys.

Access to cash registers

- Access to cash registers must only be given to members of staff who have the written authorisation of the Cost centre manager to use that cash register.
- Members of staff authorised to use the cash register must be given appropriate training in the use of that register.
- Access to the day to day operation of the cash register must be restricted to those members of staff authorised and trained in the 'cashiering' function. This will include access to 'daily' total control keys for the totalling cash collected during the daily/shift period, e.g. "X" totals.
- Access to control keys used in the reconciliation process and clearing of the register, e.g. cumulative totals or "Z" totals, and void keys must be restricted to a member of staff who is not involved in or have access to the day to day operation of the cash register, e.g. Duty Managers or equivalent.

Programming of cash registers

Where a cash register is programmable, that is register keys are designated to specific items avoiding the need to key in individual prices, the following procedures must be applied:

- The programming process must be carried out by a member of staff who is independent of and does not have access to the day to day cash collection process, e.g. Duty Managers or equivalent.
- If access to the programming function is by key then the key must be kept at all times by the member of staff authorised to programme the cash register.
- Where the programming of the register requires altering, e.g. updating prices, this must be done with the written permission of the cost centre manager

Operation of cash registers

The following are the minimum controls that must be applied when operating a cash register:

- All income received must be processed immediately through the cash register.
- Cheques received and credit/debit card transactions must be supported by a valid card. (See section on receipt of cheques and Credit/Debit card transactions).
- The customer display on the cash register must not be obscured from allowing the customer to see what is entered on the register.

- All cash register receipts must be handed to the customer at the time the income is received except where it is necessary to void/cancel an entry, In these circumstance the till receipts must be retained in the till drawer for cashing up purposes. (see section on voiding/cancelling transactions)
- All income received and processed through the cash register must be placed in the cash register drawer immediately on collection.
- The cash register drawer must be closed before reach transaction is processed and under NO circumstances should cash register drawer be left open to process more than one transaction
- Cashier keys i.e. keys allocated to individual cashiers to gain access to the cash register where used must not be left in the cash register when not attended by the cashier.
- Refunds must not be made from income held in the cash registers except where refundable deposits have been received. In these circumstances deposits must be controlled through a dedicated "deposit" key on the cash register where available. In the absence of a dedicated "deposit" key, refundable deposits must be kept separately from takings, e.g. held in the safe or locked cupboard etc. but must be controlled, e.g. temporary receipts issued.
- Access to the daily/period reading, e.g. "X" totals, must be restricted to members of staff involved in the day to day operation of the cash register.
- Keys allowing access to daily/period reading are to be held on the person of the authorised key holder, and under no circumstances should be left in the cash register.
- Members of staff involved in the day to day operation of the cash registers, e.g. cashiers, must not have access to the cumulative total, i.e. must not zero the till.
- Access to the clearance of cumulative reading, e.g. "Z" totals, must be restricted to an authorised member of staff who is independent of and does not have access to the day to day operation of the cash register, e.g. Duty Managers.
- Keys allowing access to the cumulative reading must only be used by the authorised key holder and must not be left unattended, i.e. must not be left in the cash register when not attended by the authorised key holder.
- Keys allowing access to the cumulative reading must be kept on the person of the authorised key holder when not in use and overnight.
- In the event of a cash register breakdown, manual official Council receipts must be used in respect of all income received. (see section of issuing of manual receipts).
- If the cash register does not provide an electronic record for posting, used cash register rolls must be held securely pending routine checks.

Some cash registers have the facility to gain access to the cash drawer should the register breakdown. This may be by the use of a special key. The cost centre manager must ensure that access to this key is controlled.

Voiding or cancelling transactions

It is recognised that on occasions staff will make errors when using a cash register, e.g. press wrong key. This may involve an over or under ringing that will result in the need to cancel/void that transaction. Where these occur the following must be applied:

- Over or under ringing must be brought to the attention of another member of staff who must initial the cash register roll.
- Where a transaction is to be voided (cancelled) then the member of staff with access to the void key must be contacted to void/cancel the incorrect transaction.
- Ideally this should be immediately before the correct entry is processed. Where it is not possible to void/cancel the incorrect transaction immediately the entry on the cash register roll must be initialed by the cashier and the customer receipt held in the drawer to facilitate the voiding of the entry at a later time by the authorised member of staff.

No sales transactions

It is recognised that on occasions requests may be made for change and that this will necessitate staff having access to the cash register. Under these circumstances only staff with authorised access to the day to day operation of the cash register must carry out the transaction, i.e. the cashiers.

Routine checks

The cost centre manager must ensure that the following checks are performed, on at least a weekly basis, by a member of staff independent of the day to day operation of the cash register who must initial the records examined to confirm that the checks have been carried out.

- Verify that the transaction numbers on the cash register rolls run sequentially, e.g. cumulative totals. This is essential to ensure that the cash register has not been unofficially operated between formal cashing ups. Any breaks discovered in the sequential numbering or cumulative totals must be reported to the Cost Centre Manager for investigation and the incident and action taken formally recorded.
- Review the cash register rolls to monitor the use of the "Void" or "No Sale" keys and ensure that this is reasonable, or whether there has been an excessive level of under
- ringing. Where irregularities are detected, the cost centre manager must be informed and the matter investigated immediately to determine whether there is any likely misappropriation of Council income.
- Income banked to be agreed to the cash register rolls. This is to ensure that all income received through the cash register has been banked. This is of particular relevance where Daily Cash Income Analysis Sheets (DCIAS) compiled from the cash register rolls are used to support banking.

Where a fraud or theft is suspected by the member of staff carrying out the check this must be reported immediately to the Service Director and the Audit Manager.

The cost centre manager must ensure that all used cash register rolls are held securely for the prescribed period or an audit review has been completed whichever is the later. Advice can be sought from the Internal Audit Service.

Cashing up of cash registers

It is recognised that the following procedures may not be wholly appropriate in all instances and as a consequence the cost centre managers may need to determine whether they are appropriate given the individual cash registers and staff availability at the sites concerned. Nevertheless the principles behind the following procedures must remain wherever a cash register is operated.

i) Action by outgoing cashier(s) when cashing up

- The 'cashing up' process should be carried out by two people.
- Remove the cash float(s) from the register prior to cashing up and reconciling income received. The float should be kept separately from income, e.g. in a Float Bag, and retained in the safe or other secure cabinet. Under no circumstances should the float be kept in the register's cash drawer overnight or when the establishment is closed.
- Count all income left after removal of the float and record details on the form for analysing cash collected e.g. "Cash Collection Form".
- Take the daily/period reading ("X" totals) from the cash register and record this on the form for analysing cash collected.
- Compare the total of income counted to the daily/period reading and calculate any overs or unders and record these on the form for analysing cash collected.
- The cashier and a witness should sign the form for analysing cash collected.

ii) Action by Duty Manager

- At the end of the day (or business period) the Duty Manager must take the cumulative reading from the cash register and record this on the Cash Collection Form or equivalent. Note the void key **must not** be used to alter the daily/period or the cumulative readings.
- The Duty Manager must compare the unique identification numbers of the previous and current cumulative readings to ensure that they run sequentially. Where these numbers do not exist then it will be necessary for the Duty Manager to carry out a reconciliation of the current and previous cumulative readings with the daily/period reading ("X" total). This is to identify any unauthorised use of the cash register between cashing up periods. Any discrepancies must be reported to the Cost Centre Manager immediately.
- The Duty Manager must question any significant over or unders between expected income (daily/period reading) and actual takings (cash, cheques counted and credit/debit card transactions, where received) and record the response on the Cash Collection Form or equivalent.

- The Duty Manager must report all significant discrepancies to the Cost Centre Manager as soon as possible.
- The Duty Manager must sign the Cash Collection Form or equivalent.
- The Duty Manager is responsible for the safe custody of the takings pending banking, e.g. all income must be kept in a safe or if not available in secure lockable cabinet/drawer. (See sections on security and access to safes and lockable cupboards/drawers & cash boxes).
- The Duty Manager must ensure that the empty cash register drawer is left open at the close of business.

5 Collection of cash from vending and amusement machines and telephones

This relates to those machines/telephones controlled by the Council, i.e. where all income collected is to be paid to the Council's bank account. Those machines/telephones that are administered by a third party, e.g. concessions, are not subject to these Procedures unless Council staff have access to the machines under the agreement with the concessionaire.

All keys must be kept securely and only issued to and used by members of staff authorised to do so by the cost centre manager.

Cashing up

When it is required that machines/telephones are to be emptied the following procedure must be applied:

- Machines must be emptied by two members of staff.
- Those collecting the cash must jointly count, verify and record the income collected.
- A record of income collected from the vending machine or telephone must be maintained showing:
 - Date of collection,
 - Cumulative meter readings, if available,
 - Income receivable according to the meter readings,
 - Actual cash taken,
 - Any overs or unders and
 - Signatures of the two members of staff undertaking the collection.

Routine checks

The cost centre Manager must ensure that the following checks are carried out and evidenced on at least a weekly basis by a member of staff not involved in the emptying and cashing up of vending/telephone machine takings:

- Verification that the cumulative meter readings run sequentially. Any break discovered in the cumulative meter readings must be reported to the Cost Centre Manager for investigation, and the incident and action taken formally recorded.
- Review records to ascertain whether there is an excessive level of unders or overs. Where these are detected, the cost centre manager must be informed immediately in order that the matter can be investigated to determine whether there is any likely misappropriation of Council income.
- Verify that income collected as detailed on the record of income collected has been banked.

6 Banking

The following basic procedures must be applied in order that assurance can be gained that all income received by the Council is banked to the credit of the Council's bank or Giro account:

- All income received by the Council must be banked intact. Under **NO** circumstances must retentions or deductions be made to the takings to be banked.
- Any shortages in income identified during the cashing up process must not be made up from other sources.
- All 'overs' identified in the cashing up process must be banked and under NO circumstances must they be removed takings to be banked.
- All overs and shortages must be recorded on the record analysing income collected and any significant or persistent discrepancies reported immediately to the cost centre manager.
- All income received must be banked promptly, ideally not later than the following working day. It is recognised that where small amounts of income are collected it may not be practical or appropriate to bank the following working day. In such circumstances banking may be delayed at the discretion of the Service Director.
- Ideally no income should be retained over the weekend where the premises are not open for business.
- No income should be held for longer than one working week before it is banked.
- Insured limits must be considered in the retention of income pending banking, i.e. maximum of £5000 if held in a safe or maximum of £500 if held in a locked receptacle, e.g. drawer, cupboard.
- All income must be supported by sufficient documentation to ensure that it can be adequately identified and accounted for. This will include the recording of seal numbers on the paying in slip where sealed security bags are used.
- Care must be taken to ensure that paying in slips are completed clearly in order that income can be allocated to appropriate cost centre codes.
- Where set banking days have been established these must be adhered to, with the

exception of official bank holidays where banking may be done on the first appropriate working day following the official holiday.

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7 Controlled Stationery and Financial Records

The following controls must be applied to all controlled stationery used for the collections, recording and banking of income. Examples of controlled stationery are receipt books, tickets:

- All controlled stationery must be held securely.
- All issues of controlled stationery must be in strict numerical order.
- A record must be maintained to record controlled stationery received into stock and issued from stock showing:
 - date of receipt or issue and
 - numbers of items received/issued.
- Details of officers who have received stationery
- Signatures of issuing/receiving officers.
- A record showing stock levels must be kept up to date.
- The cost centre manager must ensure that an independent and evidenced check is carried out of the stock held and recorded in the stock record.
- Correction fluid must not be used to amend errors. Where a correction is necessary a line should be drawn through the incorrect entry and the correct figure written above or adjacent to it so that the original figure is still be readable. The member of staff making the amendment should clearly initial the record.
- All income records such as used official receipt books, used cash register rolls, paying in slips etc. must be retained in a secure and identifiable manner for the prescribed period or until an audit has been carried out, whichever is the later. Advice can be sought from the Internal Audit Service.

Financial records, such as issued receipts, copy paying in slips and DCIAs must be held securely pending internal audit examination after which they must be retained in accordance with laid down guidelines. Advice can be obtained from the Internal Audit Service.

8 Petty Cash Floats

The following procedures relate to the control and security of the cash and cheques and not with the general procedures for the administration of the Petty Cash Imprest. Guidance on this can be obtained from the Exchequer Services Section.

The Petty Cash Imprest Holder is responsible for the security of any cash held in respect of the Petty Cash Float and must ensure that the following is applied:

- All cash reimbursement cheques and cheque books for Petty Cash Bank Accounts must be held in a safe or where none is provided, in a locked cabinet/drawer/ cash box. (See section on access and security of safes, lockable cupboards/drawers/cash boxes).
- Where reimbursing cash to staff for expenditure incurred that expenditure must be supported by an invoice/receipt. Where an invoice/receipt cannot be obtained by the claimant a petty cash voucher must be used and held with the petty cash float.
- The receipt must be signed by a member of staff who made the purchase acknowledging that reimbursement from petty cash has been given.
- Under no circumstances should personal or other cheques be cashed using imprest funds.
- Where a cash advance is required pending expenditure the following must be applied:
 - A petty cash voucher must be issued and retained with the float as evidence of the advance and
 - The receiving officer must sign a petty cash voucher to acknowledge receipt of the advance. This will be necessary to reconcile the imprest amount.
 - Subsequently the receiving officer must produce invoices/receipts in support of expenditure incurred and return any balance unspent to the Imprest Holder who should acknowledge the return of the balance on the petty cash voucher.
 - Where expenditure in excess of the advance has been incurred the balance is reimbursed by the Imprest Holder.
- Where postage is involved, sheets must be maintained by the Imprest Holder, recording stamps purchased, stamps used and expenditure on other types of postage, e.g. registered, recorded delivery. The postage sheet(s) must be totalled, coded etc. and entered on the Petty Cash Claim Form.
- The Imprest must be reconciled by the Imprest Holder prior to the submission for authorisation and reimbursement. This will require the reconciling the cash in hand (including unused stamps, vouchers supporting expenditure to the Imprest amount).
- Variances must be shown on the Petty Cash claim form and reported to the authorising officer. Significant and/or continuing discrepancies must be reported to the Cost Centre Manager, the Service Director and the Audit Manager.
- Under no circumstances will imprest reimbursement cheques be paid/cashed into unofficial bank accounts or imprest cash 'mixed' with other monies official or otherwise.

9 Reporting of Irregularities

Any member of staff who thinks that there may have been a theft or other case of misappropriation of the Council's income must inform their line manager immediately. Where it is suspected that their line manager may be involved then the Internal Audit Service should be informed.

The manager to whom the matter has been reported must inform the relevant Chief Officer and the Audit Manager.

Any member of staff who has any query with regards to the Banking and Cash Handling Procedures must ask their line manager for assistance. If the query is not answered then advice can be sought from the Internal Audit Service

No errors should be hidden or obscured

- 5.29 To issue for time to time departmental Rules for Procurement which shall have regard to the cost of complying with those rules relative to the value of procurements. These rules shall be agreed with the Director, Finance, Revenues and Benefits and the Monitoring Officer, and shall be consistent with, and subordinate to, the Council's Procurement Policy and relevant Standing Orders.
- 5.30 To ensure that best and fair use is made of the Council's internal market.
- 5.31 To utilise the corporate call-off contracts negotiated by the Service Manager, Procurement for all goods available via those contracts.
- 5.32 To ensure that any decisions taken in accordance with the Procurement Policy and relevant Standing Orders are recorded in a duly authorised, signed and dated format which shall also set out the reasons for the decision.
- 5.33 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in paragraph 5.43.
- 5.34 To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- 5.35 To ensure that only those staff authorised by the Chief Officer sign orders and to maintain an up-to date list of such authorised staff including specimen signatures identifying in each case the limits of their council. To limit the number of such authorised staff in accordance with guidance issued by the Service Manager, Procurement. 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 Council's approach to procurement. Value for money should always be achieved.
- 5.36 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 inventories or stores records.
- 5.37 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- a) receipt of goods or services
 - b) that that invoice has not been previously 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 and
 - h) that appropriate entries will be made in accounting records.
- 5.38 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking an invoice, should authorise the invoice.

- 5.39 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 council shall be forwarded to the Director, Finance, Revenues and Benefits.
- 5.40 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Audit Manager.
- 5.41 To ensure suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, payments made by direct debit have the prior written approval of the Director, Finance, Revenues and Benefits.
- 5.42 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, by utilising the guidelines in the Council's Procurement Policy which are in line with best value principles.
- 5.43 To utilise the central purchasing procedures established by the Service Manager, Procurement in putting purchases, where required by standing orders or procurement standards, out to competitive quotation or tender. These cover:
- a) authorised officers and the extent of their council
 - b) advertisement for tenders
 - c) procedure for creating, maintaining and revising a standard list of contractors
 - d) selection of tenderers
 - e) compliance with UK and, where relevant, EU legislation and Regulations
 - f) procedures for the submission, receipt, opening and recording of tenders
 - g) the circumstances where financial or technical evaluation is necessary
 - h) procedures for negotiation
 - i) acceptance of tenders
 - j) the form of contract documentation
 - k) cancellation clauses in the event of corruption or bribery and
 - l) contract records
- 5.44 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Director, Finance, Revenues and Benefits. This is because of the potential impact on the Council's capital resources, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 5.45 To notify the Director, Finance, Revenues and Benefits of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director, Finance, Revenues and Benefits and in any case, not later than 30 April.
- 5.46 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Director, Finance, Revenues and Benefits, 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.

5.47 To notify the Director, Finance, Revenues and Benefits immediately of any expenditure to be incurred as a result of statute/ court order where there is no budgetary provision.

To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention scheme