ANNEX A TO ITEM 4c(ii)

FINANCIAL REGULATIONS – STRATEGIC
also known as
Financial Procedure Rules – Strategic

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Note: Interim amendments to these Financial Regulations are provided for, as set out at 1.7. Comments and proposals pertaining to the Regulations are invited to be emailed to ‘Audit-Forum’.
Financial Regulations - Strategic

1. INTRODUCTION

1.1. Article 1 of the Council’s Constitution requires the Council to be efficient, transparent and accountable. Milton Keynes Council maintains formal Financial Procedure Rules, commonly referred to as Financial Regulations (as referred to throughout this document) to ensure Article 1 is achieved to the highest standards of Corporate Governance. It is essential that the Council can demonstrate the highest standards of financial integrity through sound administration and the efficient, effective and economic delivery of services.

1.2. Financial Regulations are divided into four documents. These documents combined represent the framework for financial control and are not mutually exclusive. Of these documents only Financial Regulations – Strategic (Financial Procedure Rules – Strategic) are a formal part of the Constitution.


1.2.2. Financial Regulations – Operational represent the practical requirements to be applied on a day-to-day basis.

1.2.3. Anti Fraud Strategy – Includes definitions of fraud and corruption.

1.2.4. Financial Regulations – Locally Managed Schools.

1.3. Except where expressly detailed within Financial Regulations or the Constitution deviation from these Regulations can only be approved by Cabinet or by Full Council.

1.4. Financial Regulations apply to:

- All MKC Staff
- All MKC agents and contractors
- Any person/organisation authorised to act on behalf of the Council in pursuit of Council Business

1.5. The Council provides training to any person covered by these regulations. It is the responsibility of all persons covered to ensure they are conversant with the regulations as they affect that person’s role/duties. Non-Compliance with Financial Regulations may be considered a disciplinary offence or breach of contractual agreement.

1.6. Financial Regulations shall be formally reviewed (via the Council’s Corporate Finance Strategy Group) at least every three years and ideally every 12 months.
1.7. The introduction of new systems, in particular SAP, could fundamentally change the systems of control in some areas. The Council recognises that this may require prompt amendment to the Regulations that cannot be achieved via Cabinet approval due to time constraints. Therefore any 2 officers as listed below can jointly approve temporary dispensation/amendment provided this includes either the Section 151 Officer and/or the Head of Audit & Risk Management.

- Chief Executive / Assistant Chief Executive / Corporate Director/ Head of Service (or equivalent including Group Director)
- Head of Finance – Section 151 Officer
- Head of Audit & Risk Management

1.8. The Regulations can be provided in hardcopy – contact Internal Audit on MK 252421 or Internal.Audit@Milton-Keynes.gov.uk

1.9. The Regulations are also available via the Council's Intranet Web page – Audit link. The Council Intranet also provides a Frequently Asked Questions Section on Financial Regulations (and other control issues) at the Audit Forum pages.

1.10. For the purpose of these Regulations a personal email from an appropriate officer shall be considered to represent written submission/approval.

KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- SECTION 151 OFFICER
- HEAD OF AUDIT & RISK MANAGEMENT
Officers Roles & Responsibilities

2. INTRODUCTION

2.1 Proper control of the Council's financial affairs requires that roles and responsibilities are clearly defined. This Section defines the lead roles and responsibilities of the following:

- Head of Finance (Section 151 Officer)
- Chief Officers (Chief Executive, Assistant Chief Executives, Corporate Directors; and S.151 Officer for the purpose of Financial Regulations).
- Heads of Service (or equivalent including Group Directors)
- Budget Managers
- Budget Supervisors

2.2 HEAD OF FINANCE (Section 151 Officer)

2.2.1 The Section 151 Officer is the statutory Chief Officer defined in Article 13 of the Council's Constitution and thereby is classified as a Chief Officer for the purpose of Standing Orders.

2.2.2 The Section 151 Officer is the 'responsible financial officer' for the purposes of Section 151 of the Local Government Act 1972, Sections 26 and 114 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2003. In the capacity of professional Head of Service the Section 151 Officer is responsible for the administration of the financial affairs of the Council and for reporting to the Performance Review & Audit Panel (Audit Panel) at least annually but ideally quarterly all breaches of the Financial Regulations.

2.2.3 Section 114 (c) of the Local Government Finance Act 1988 requires the Section 151 Officer to appoint a deputy to act in the Section 151 Officer's 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 2003.

2.2.4 The Section 151 Officer must co-ordinate a review of the Financial Regulations Strategic at least once every three years and ideally every 12 months, and submit any changes to the Cabinet for approval.

2.2.5 The Section 151 Officer must make arrangements to ensure that the written procedures supporting the Financial Regulations - Strategic are duly amended whenever actual changes in procedures are authorised and communicate those changes to Chief Officers and Heads of Service and the Partnership Director of any strategic partners.

2.2.6 The Section 151 Officer is responsible for advising the Council, the Cabinet, the Overview and Scrutiny Bodies, Regulatory Committees and Corporate Leadership Team on all financial matters affecting the Council.
2.2.7 The Section 151 Officer is responsible for maintaining a framework of financial delegation necessary to support, advise and monitor Chief Officers and Heads of Service in their delegated powers.

2.2.8 The Section 151 Officer is the officer responsible for signing leases, other than property leases, on behalf of the Council. This may be delegated to other specified officers by the Section 151 Officer with the agreement of Cabinet.

2.3 CHIEF OFFICERS & HEADS OF SERVICE (including Group Directors)

2.3.1 Chief Officers are fully accountable to the Chief Executive for the financial management of the activities of their Directorates.

2.3.2 Chief Officers may delegate aspects of their Financial Management responsibilities to their Heads of Service. A record of these delegated powers must be maintained by the Chief Officer and should ideally be reviewed at least annually. The Section 151 Officer must be consulted on such delegation and Chief Officers must take due account of the advice given on matters of internal control.

2.3.3 Chief Officers and Heads of Service are individually responsible for the proper stewardship of all the resources allocated to them. This includes controls of staff and the security, custody and management of assets including buildings, plant, equipment, IT equipment, material, cash and stores. However, it is noted that there is shared responsibility for some assets, which are managed centrally, including IT equipment which is managed by HBS on behalf of the retained Head of IT.

2.3.4 Chief Officers and Heads of Service are responsible for providing the Section 151 Officer with any information relating to the services under their control required to fulfil the duties of the Section 151 Officer.

2.3.5 Chief Officers through their Heads of Service are responsible for ensuring that staff under their control are aware of and comply with Financial Regulations Strategic and the Operational Regulations, which support them. Where services are being provided through a strategic partner, the Partnership Director shall ensure that there is compliance with the Regulations. In addition, Heads of Service shall take reasonable action to monitor and report any non-compliance by the strategic partner within their service areas.

2.3.6 Heads of Service may delegate aspects of their financial management responsibilities to other senior managers, including the specific designation of ‘Budget Managers’ and ‘Budget Supervisors’. A record of these delegated powers must be maintained within the record kept by the relevant Chief Officer, by using the standard ‘Approval of Financial Delegation’ form. The Section 151 Officer must be consulted on such delegation and due account must be taken of the advice given on matters of internal control.
2.3.7 Heads of Service are responsible for ensuring that all matters reported to a decision making body comply with Financial Regulations - Strategic and Operational or have been specifically brought to Members’ attention for approval where such provisions have been waived or not applied.

2.3.8 Heads of Service are responsible for ensuring that where recommendations are made to waive Financial Regulations - Strategic or Operational, Members are specifically informed within the report of the controls that will not be applied if approval is given. Additionally Heads of Service will ensure that all such reports contain advice from the Section 151 Officer (or the nominated representative).

2.3.9 Nothing in these Financial Regulations - Strategic 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 Chief Officer, in consultation if possible with the Chief Executive and the Section 151 Officer, the urgency of the situation will not admit delay, necessary expenditure may be incurred. Action under this Financial Regulation shall be reported at the next available meeting of the Corporate Leadership Team, Cabinet, and Performance Review & Audit Panel (Audit Panel).

2.4 OTHER ROLES WITH FINANCIAL RESPONSIBILITIES

2.4.1 A Budget Manager is an officer with overall responsibility for managing the commissioning of direct service provision for an area. This responsibility is specifically delegated to this officer by either a Corporate Director or Head of Service, using the standard ‘Approval of Financial Delegation’ form. A Budget Manager cannot delegate his / her overall responsibility for managing the budgets under their jurisdiction. A Budget Manager has to be an officer of the Council.

2.4.2 A Budget Supervisor is an officer who supervises a budget on behalf of a Senior Officer/ Budget Manager delegated by using the standard ‘Approval of Financial Delegation’ form. Accountability for the budget remains with the Budget Manager, as it cannot be delegated. A Budget Supervisor can either be an officer of the Council or be employed by one of the Council’s Partner Organisations including its strategic partner.

2.5 EQUALITIES

2.5.1 It is the responsibility of every employee of the council to uphold and implement the Overall Equalities Policy Statement. Special responsibility falls upon individual managers at all levels to plan and provide their services to ensure its effectiveness.
KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- SECTION 151 OFFICER
- HEAD of AUDIT & RISK MANAGEMENT
3. **INTRODUCTION**

3.1 Effective financial control requires the annual preparation of a Medium Term Financial Plan, which will show in detail the amount, and sources of the Council's income, and the services and assets on which it is to be spent. The Medium Term Financial Plan is the key tool in ensuring that the Council's resources are used in accordance with its decisions including its wider Medium Term Planning processes.

3.2 The Medium Term Financial Plan consists of the following:

- Capital Programme for the current and planned programme for the next 3 – 5 financial years
- Asset Management Plan for the next 3 - 5 financial years
- Revenue Forecast for the next 3 - 5 financial years
- Revenue Budget for the forthcoming financial year

3.3 The format and timetable for the Medium Term Financial Plan will be determined by the Section 151 Officer subject to the requirements of Cabinet.

3.4 Chief Officers with their Heads of Service shall produce Medium Term Financial Plans annually for Services assigned to their responsibility.

3.5 The Chief Officer and the Section 151 Officer must jointly report Medium Term Financial Plans to Cabinet.

3.6 Medium Term Financial Plans must take into account statutory requirements and the Audit Commission Code of Practice on the Prudential Approach to Local Authority Commitments.

**KEY CONTACT(S)**
(see Officer Names & Phone Numbers listed at end of this document)

- **SECTION 151 OFFICER**
Medium Term Financial Planning (Revenue)

4. INTRODUCTION

4.1 These Regulations seek to provide a consistent framework for the preparation and monitoring of the revenue budget. In order for the Council to be able to plan the development of services, and to allocate resources between services, it needs to plan its finances over a period of three to five years (Medium Term Financial Planning).

4.2 The first year of the Medium Term Financial Plan is the detailed Annual Revenue Budget. The revenue budget provides an estimate of the annual income and expenditure requirements for all services, and sets out the financial implications of the Council's policies. It provides the Cabinet, Chief Officers and Heads of Service with authority to incur expenditure, subject to rules relating to virement (see Section 6). In addition it provides the basis on which to monitor the financial performance of services within the year.

4.3 The Section 151 Officer will report the forecasted resource availability to Cabinet annually in July.

4.4 The Cabinet shall issue policy priority guidelines to Cabinet Members and Chief Officers for the preparation of their Medium Term Financial Plans prior to the summer recess.

4.5 Each Chief Officer with their Heads of Service shall, in conjunction with medium term service planning information, prepare annually its Medium Term Financial Plan, in conjunction with the Section 151 Officer, for submission to the appropriate Cabinet Member in early autumn. The Section 151 Officer shall determine the format and timetable for this. The forecast shall include the financial effects of all known commitments, together with the financial effects of any other proposals for changes to the level of existing services, or for new services. The Forecasts shall subsequently be reported to the relevant Policy Development Committee.

4.6 The Section 151 Officer shall report the consolidated forecast position annually to the Cabinet and Corporate Policy Development Committee prior to Christmas. The report shall include the level of estimated resources available during the period, together with the impact on the Council Tax level.

4.7 During each financial year, Chief Officers with their Heads of Service, in conjunction with the Section 151 Officer, shall prepare a revenue budget for the Council for the forthcoming financial year, prior to Christmas. This shall include a joint report, identifying proposed developments and savings and will be presented to the Cabinet and Corporate Policy Development Committee in accordance with the Budget and Policy Framework (BPF) Procedure Rules.
4.8 The Cabinet shall consider the draft budget and make recommendations to the Council in accordance with the BPF.

4.9 The Cabinet shall set the Council Tax Base by 31 January each financial year. It also shall recommend a budget to Council for the forthcoming financial year, to enable a meeting of the Council to set the budget and the Council Tax by the statutory date (11 March).

KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- SECTION 151 OFFICER
- REVENUE MANAGER (TECHNICAL)
Capital Programme

5. INTRODUCTION

5.1 Capital expenditure is an important element in the development of the Council's services since it represents major investment in new and improved assets. These regulations seek to provide a consistent framework for the preparation and appraisal of the capital programme, to provide appropriate authorisations for schemes to proceed and to allow Directorates to manage their programmes within defined parameters.

5.2 CAPITAL STRATEGY

5.2.1 Each financial year the Section 151 Officer shall prepare and submit to Cabinet a Capital Strategy for the Authority. All capital expenditure for the authority should be undertaken in line with the agreed Capital Strategy and in compliance with the CIPFA’s Prudential Code for Capital Finance in Local Authorities and all prevailing statutory and professional regulations.

5.3 BUDGET PREPARATION

5.3.1 Each financial year Chief Officers together with their Heads of Service shall, in conjunction with the Corporate Property Officer and the Section 151 Officer, prepare a three to five year Asset Management Plan and a five year capital programme for consideration by the Cabinet.

5.3.2 Project appraisals are required for all projects to be capitalised (as defined by Accounting Regulations) that are to be included in the Council’s Capital Programme.

5.3.3 Chief Officers through their Heads of Service or delegated project managers are responsible for completing and submitting Council wide project appraisals. Each project appraisal will be evaluated using an agreed scoring system to assist in the prioritisation of projects should there be insufficient capital resources available to enable all bids to proceed. The Section 151 Officer is responsible for defining, authorising and monitoring the scoring system.

5.3.4 The Section 151 Officer shall report to the Cabinet on the overall cost of the draft capital programme compared with the resources likely to be available to finance it.

5.4 BUDGET MONITORING

5.4.1 Chief Officers and Heads of Service are authorised to spend on any scheme (for which they have delegated responsibility) up to the amounts included in the latest approved capital programme for that scheme. Regard must be made to managing in-year expenditure within the in-year programme budget, as well as total expenditure over the life of each scheme.
5.4.2 Each Chief Officer through their Heads of Service or designated project manager shall provide monthly monitoring information, on a scheme-by-scheme basis, together with a forecast outturn, to the appropriate Cabinet Member and Section 151 Officer. The Section 151 Officer shall ensure that Chief Officers receive appropriate financial support from relevant finance staff, even where a strategic partner provides this support.

5.4.3 The Section 151 Officer shall report the overall capital monitoring position, and the level of resources available to finance the programme, to Cabinet on at least a quarterly basis.

5.4.4 Where actual or forecast expenditure on a scheme varies from the approved budget a scheme of delegated approval (detailed in the Capital Strategy) applies. In all cases any agreed variances should be reported to Cabinet for information.

5.4.5 Proposed additions to the programme during the financial year should be submitted to Cabinet for approval, supported by a project appraisal.

5.4.6 Cabinet is authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes, subject to funding being available and the schemes being in accordance with the objectives and priorities of the Council (minute ref C159, 28/02/05).

5.4.7 In circumstances where it is not possible to make programme changes, to Cabinet or Council due to a requirement for a speedy or urgent decision, the rules contained within the Constitution on delegated decision-making and urgent decisions will apply.

5.4.8 For decisions that in the view of the relevant Chief Officer are not defined by the delegated decision rules as ‘Key Decisions’ the Section 151 Officer, in consultation with the Accountable Cabinet Member for Finance, will have authority to approve the decision, which must be notified retrospectively to Cabinet.

5.4.9 For projects in excess of £100,000 in value, additional project management arrangements in a format defined by the Section 151 Officer must be adhered to.

5.5 GENERAL

5.5.1 Chief Officers and Heads of Service are required to ensure that the provisions of the 'Contracts, Tenders and Quotations Handbook' are observed for all expenditure that exceeds the base limit as defined in the Handbook.
KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- SECTION 151 OFFICER
- FINANCE MANAGER CAPITAL & TREASURY
Budgetary Control / Virement

6 INTRODUCTION

6.1 All Council services must be funded and all funding must be properly controlled through effective budgetary control. Spending must be closely monitored throughout the year against approved budgets and any over spends or under spends highlighted as appropriate.

6.2 Budget virement enables the transfer (by approved officers) of funds between elements of the same budget book page and provides flexibility to manage services within corporate budgets and offset unavoidable over spends.

6.3 Budget Managers are directly responsible for ensuring that spending and commitments do not exceed the latest approved budget.

6.4 Subject to the provisions of these and other procedures and the agreed allocation of functions, Chief Officers and Heads of Service may authorise revenue expenditure on policies already agreed by the Accountable Cabinet Member for which funds have been provided in the approved budget.

6.5 Each Chief Officer and Head of Service or their designated officer shall be responsible for regular monitoring (on at least a monthly basis) income and expenditure against budgets under their ownership, and will institute accurate budget profiling over the relevant accounting periods. Budget Managers should retain evidence (for at least 18 months) sufficient to demonstrate to Chief Officers and The Head of Internal Audit & Risk Management, if required, that they have undertaken regular budget monitoring. The Section 151 Officer shall ensure that Chief Officers, Heads of Service and Budget Holders receive appropriate support from relevant finance staff, even where a strategic partner provides such support.

6.6 Each Chief Officer and Head of Service shall retain evidence for at least 18 months sufficient to demonstrate that they monitor on a monthly basis the outturn of income and expenditure compared to the approved Budget for their area of responsibility. The Section 151 Officer shall each quarter provide a summary outturn report to Cabinet. The approved budget is the Original Budget used to set the Council Tax level, plus any supplementary estimates or budgetary virements agreed in accordance with the Budget and Policy Framework (BPF) Procedure Rules.

6.7 Chief Officers with their Heads of Service are required to ensure that their budgets are controlled at budget activity level, which is defined as each separate activity shown on one page of the Annual Revenue Budget book. In the case of schools budgets, 'budget activity' is defined as those budgets determined by the Local Management of Schools (LMS) Scheme.
6.8 The introduction of SAP is designed through the forecast facility that budgetary virements need not be processed if forecasted budgets offset individual code overspends with allocated underspends.

6.9 Each Chief Officer and Head of Service has the freedom to authorise the transfer of sums within each budget activity, and between the budget activities of their Directorate as prescribed below, provided the action supports the Council’s policies and requirements for that service, at a level approved by Cabinet. Virements in excess of individual Cabinet Member authority levels require full Cabinet approval.

<table>
<thead>
<tr>
<th>Full Council</th>
<th>No restrictions</th>
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</thead>
<tbody>
<tr>
<td>Head of Finance (Section 151 Officer)</td>
<td>Technical Virements without limit but if in excess of £500k must be reported to the Assistant Chief Exec (G&amp;F)</td>
</tr>
<tr>
<td>Accountable Cabinet Member</td>
<td>&lt;£2m within their area of responsibility</td>
</tr>
<tr>
<td>Corporate Directors</td>
<td>&lt;£1m within their Corporate Directorate</td>
</tr>
<tr>
<td>Heads of Service</td>
<td>&lt;£500k within their service area</td>
</tr>
<tr>
<td>Budget Holders</td>
<td>&lt;£50k within each budget area</td>
</tr>
</tbody>
</table>

- The limits apply cumulatively within each financial year
- Virements at lower levels do not contribute towards and thereby do not erode the authorisation limits of more senior officers (e.g. a Chief Officer can still vire up to £1m even if Heads of Service and Budget Holders have made virements within the same Directorate).

6.10 Virements may also be authorised by other persons where there is a formal written record of delegation, approved by the relevant Chief Officer and copied to the Section 151 Officer.

6.11 A monthly report will be generated by each Directorate and the Section 151 Officer in order to monitor all virements actioned in their area of responsibility.

6.12 Virements between Directorates are reserved to the Cabinet, unless they are ‘technical’ (for example, asset rentals, change in accounting practice), in which case they can be authorised by the Section 151 Officer.

6.13 The Section 151 Officer shall report the Council-wide (itemised by Directorates) monthly revenue budget position to Cabinet, and on a quarterly basis to the Performance Review & Audit Panel (Audit Panel).

6.14 The Section 151 Officer will receive, as part of the monthly revenue monitoring, a summary of virement activity, including the cumulative total amount, expressed as £’s and as a percentage of the net budget. The summary will exclude recharges, restructuring and school virements.
6.15 Directorate over spends and under spends are the responsibility of the Directorate. Before finances are provided from any other source within the Authority all departmental under spends must be assigned to any area of over spend on a hierarchical basis, i.e. all under spends within a Head of Service’s responsibility must be assigned to an over spend within their area before other departmental funds can be vired.

6.16 The outturn will be reported (provisionally) to the June/July Cabinet. A Directorate under spend will be reported to the July Cabinet for a decision on how it will be invested, with at least 50% being invested in the Directorate. When an under spend is allocated, it gets re-named to become a project budget, the features of which are:

- The investment of a project budget will not be in support of continuing expenditure;
- When the project is complete, the budget will not be renewed;
- The project may take place over several financial years;
- Project budgets are excluded from the calculation of a year end underspend. Where a project budget overspends, this should be met in year by the Directorate.
- Project budgets are separately identified in the Council’s accounting system.

6.17 A Directorate over spend will be reported to the July Cabinet for a decision on how the Directorate will fund it. 100% of any over spend is the responsibility of the Directorate. Any over spends that are carried forward will be subject to an interest charge equal to the borrowing costs, to reflect the detrimental cashflow that arises from spending above budget.

6.18 If an over spend cannot be met from existing budgets, or new spending proposals are identified for which financial provision has not been made and these excesses cannot be financed by virement, the matter must be reported to the relevant Cabinet Member and a supplementary estimate report must be submitted to Cabinet. Any such reports must include a financial appraisal prepared jointly by the Chief Officer (or Head of Service) and the Section 151 Officer. If Cabinet approves the proposal it must seek approval of the full Council to proceed in accordance with the BPF.

6.19 In considering supplementary estimates reports the Cabinet and full Council will have regard to the Council’s overall financial position. Approval of such requests will only be made in exceptional circumstances (where for example the work could not have been reasonably foreseen at the time of preparing the annual budgets, or is so necessary that it cannot be deferred until the next financial year).

6.20 Supplementary estimate reports proposing to utilise Council unearmarked reserves (General Fund or Housing Revenue Account) will include a clear programme (identifying Medium Term Budget structures and budgetary implications) to restore reserves to acceptable levels within 18 months. Such reports need to be agreed by the Section 151 officer and approved by Cabinet.
6.21 Corporate Directorate outturns are the responsibility of the Directorate and will be reported (provisionally) to June / July Cabinet.

**KEY CONTACT(S)**
(see Officer Names & Phone Numbers listed at end of this document)

- **SECTION 151 OFFICER**
Accounting

7. INTRODUCTION

7.1 To enable Financial Management to be effective it is important that financial information is available to Managers and that it is prompt, accurate, consistent and meaningful. Such accurate information helps to ensure that the Council's income, expenditure, assets and liabilities are fully and accurately accounted for and its financial interests are safeguarded against loss.

7.2 To enable finance staff to provide accurate financial information it is essential that they are provided with the fullest information on a timely basis by Budget Managers and other staff involved in the process. Failure to do so may result in disciplinary or other action.

7.3 These Regulations set out the basic framework for accounting within the Council.

7.4 The Section 151 Officer is responsible for determining the accounting procedures adopted by the Council. Financial Regulations – Operational explain the necessary accounting records and procedures in detail. No variations shall be made to accounting records and procedures without the written agreement of the Section 151 Officer.

7.5 Chief Officers and Heads of Service are responsible for ensuring that all procedures are complied with in the services under their control and that records and systems are properly maintained.

7.6 The accounting procedures will have regard to all current and appropriate best accounting practice. Such best practice will normally be taken as that defined through:

- Standard Statements of Accounting Practice (SSAPs)
- Financial Reporting Standards (FRSs)
- Statements of Recommended Practice (SORPs)
- The Code of Practice on Local Authority Accounting
- Accounts and Audit Regulations
- Best Value Accounting Code of Practice (BVACOP)

KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- SECTION 151 OFFICER
Internal Audit

8. INTRODUCTION

8.1 The Accounts and Audit Regulations 2003 and Section 151 of the Local Government Act 1972, require the Council to maintain an adequate and effective system of internal audit.

8.2 The Council discharges this responsibility through the operations of the Performance Review and Audit Panel (Audit Panel) who shall receive information and formal opinion from the Assistant Chief Executive (G&F), the Section 151 Officer and the Head of Audit & Risk Management, at the request of the Panel or the discretion of the relevant officers (noted above).

8.3 The Head of Audit and Risk Management (HARM), shall maintain an adequate and effective system of internal audit to all accounting, financial and other operations of the Council and in particular shall arrange for the examination, review and appraisal of:

- The soundness, adequacy and application of internal controls
- 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
- The suitability and reliability of financial and other management data
- Compliance with rules, legislation, policy and procedures

8.4 The HARM shall prepare an annual report outlining the work of the Internal Audit Service for presentation to the Performance Review & Audit Panel (Audit Panel).

8.5 The HARM, shall maintain a four year Strategic Plan from which an Annual Audit Plan will be prepared detailing the areas of audit coverage for the following year. This plan will be presented to the Performance Review & Audit Panel (Audit Panel) for approval and copied to the Cabinet.

8.6 The HARM and all Internal Audit staff have authority to:

- Enter at any time council premises or land subject to any statutory or contractual restrictions that may apply, eg health and safety
- Have access to all records, documents, correspondence, information and data relating to all areas of business of Milton Keynes Council and to remove any such records as is necessary for the purposes of their work (including that of the Council’s agents and contractors)
- Require and receive such explanations as are necessary concerning any matter under examination
- Require any employee or agent of the Council to produce cash, stores or any other Council property under their control.
8.7 The HARM shall have direct access and the right of report to the Chief Executive, Chief Officers, Heads of Service, the Monitoring Officer, the Audit Commission, the Cabinet, the Leader, and the Performance Review & Audit Panel (Audit Panel).

**KEY CONTACT(S)**
(see Officer Names & Phone Numbers listed at end of this document)

- **HEAD of AUDIT & RISK MANAGEMENT (HARM)**
Fraud and Irregularity

9 INTRODUCTION

9.1 The Council is responsible for administering significant funds on behalf of the public and those funds must be properly protected. The Council has adopted a formal Anti Fraud Strategy that includes definitions of fraud and corruption.

9.2 All Council staff, members, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Whilst certain officers have specific responsibilities within the process where fraud, corruption or irregularity is suspected, all staff have responsibilities to guard against and report such incidents / suspicions.

9.3 Specifically it is the responsibility of the Chief Officers, Heads of Service and line managers to ensure that the risks of financial irregularity are minimised.

9.4 All Staff, Councillors, agents or contractors of Milton Keynes Council have a responsibility to bring to the attention of the Head of Audit and Risk Management, Section 151 Officer or their Chief Officer any suspected fraud, corruption or irregularity.

9.5 To refer concerns the Council’s Confidential Reporting Policy, often referred to as the “Whistleblowing” policy, may be used and in accordance with that policy where confidentiality is requested the Council will not disclose those details without the specific authority of the person concerned.

9.6 It is not appropriate that staff, Councillors, agents or contractors undertake investigations into suspected fraud or irregularity. Carrying out even basic or rudimentary analysis / investigation can corrupt evidence and deny the Council the opportunity to deal with the issue properly. Only where the Head of Audit and Risk Management has provided specific, written authority should staff or departments undertake any investigation or analysis into suspected irregularity. The Head of Audit and Risk Management should be consulted if there is uncertainty if the matter falls within the definition of fraud, irregularity or corruption.

9.7 Chief Officers informed of any suspected fraud or irregularity will immediately inform the Head of Audit and Risk Management, and the Section 151 Officer. In accordance with the Council’s Whistleblowing policy, Chief Officers are not required to name the person referring their suspicions, although investigations are greatly assisted by the ability to discuss directly with the person making the referral.

9.8 The Head of Audit and Risk Management, in consultation with either the ACE Governance & Finance or Section 151 Officer if appropriate, will take such steps as considered necessary by way of investigation or report. Wherever possible the Chief Officer and the officer referring concerns shall be kept informed.
9.9 Should it be found that a fraud or irregularity is occurring of a significant nature the Head of Audit & Risk Management/Section 151 Officer or his/her appointed representative shall inform the Chief Executive.

9.10 Where the Head of Audit and Risk Management concludes that sufficient prima facie evidence has been collected that indicates that a criminal act may have taken place a formal recommendation will be made to the relevant Chief Officer and the Section 151 Officer to refer the matter to the Police.

9.11 HARM shall submit an annual report summarising irregularity investigation to the Performance Review & Audit Panel (Audit Panel).

KEY CONTACT(S )
(see Officer Names & Phone Numbers listed at end of this document)

- HEAD OF AUDIT & RISK MANAGEMENT
- SECTION 151 OFFICER
10. INTRODUCTION

10.1 The separate document “Financial Regulations – Operational” sets out the more detailed requirements of the Authority's financial systems and is intended to support the strategic issues set out in this document.

10.2 Chief Officers through their Heads of Service are required to ensure that all staff in their Directorate adhere to both the strategic and operational parts of the Financial Regulations, and are responsible for ensuring staff are adequately trained in their application.

10.3 Detailed guidance is set out, in the separate documents Financial Regulations – Operational, on the following areas:

1. Introduction
2. Procuring Goods and Services
3. Credit Card Terms and Conditions of use
4. Salaries and Wages
5. Income
6. Banking Arrangements
7. Imprest Accounts & Petty Cash
8. Stocks and Stores
9. Inventories
10. Risk Management and Insurance
11. Land and Buildings
12. Treasury Management
13. Money Laundering
14. Information Technology
15. Voluntary Funds
16. Value Added Tax
17. Capital Projects
18. Leases

Glossary
Contacts

KEY CONTACT(S)
(see Officer Names & Phone Numbers listed at end of this document)

- HEAD of AUDIT & RISK MANAGEMENT
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountable Cabinet Member</td>
<td>Cabinet Member with responsibility for a specific service area.</td>
</tr>
<tr>
<td>Anti Fraud Strategy</td>
<td><a href="http://intranet/Internal_Audit/documents/04-08-13_delegated_Policy_AFP.doc">http://intranet/Internal_Audit/documents/04-08-13_delegated_Policy_AFP.doc</a></td>
</tr>
<tr>
<td>Audit Commission</td>
<td>Government Body responsible for providing the external audit function for the Council.</td>
</tr>
<tr>
<td>Budget Activity Level</td>
<td>Each separate activity shown on one page of the Annual Revenue Budget Book. For schools those budgets determined by the LMS Scheme.</td>
</tr>
<tr>
<td>Budget &amp; Policy Framework</td>
<td>Procedure rules defined in the Council’s Constitution. (Part 4)</td>
</tr>
<tr>
<td>Chief Officers</td>
<td>Chief Executive, Assistant Chief Executives, Corporate Directors and S.151 Officer (for the purpose of Financial Regulations</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Policies &amp; Procedures that will enable an officer to complete their work in a manner approved by the Council.</td>
</tr>
<tr>
<td>Council Constitution</td>
<td><a href="http://www.mkweb.co.uk/your_council/documents/CONSTITUTION">www.mkweb.co.uk/your_council/documents/CONSTITUTION</a></td>
</tr>
<tr>
<td>Delegation</td>
<td>Officer or group chosen to represent another officer.</td>
</tr>
<tr>
<td>Financial Procedure Rules</td>
<td>The terminology used within the Council’s Constitution to refer to the rules that are more commonly referred to as ‘Financial Regulations’, i.e. this document.</td>
</tr>
<tr>
<td>Head of Service</td>
<td>For the purposes of the Financial Regulations includes Group Directors and other senior managers who operate at an equivalent level.</td>
</tr>
<tr>
<td>Medium Term Financial Plan</td>
<td>Multi year rolling plan linked to the Best Value Performance Plan.</td>
</tr>
<tr>
<td>Monitoring Officer</td>
<td>Officer appointed under the Local Government &amp; Housing Act 1989 with responsibility for ensuring that decisions are lawful and fair and other responsibilities as defined in the Council Constitution paragraph reference 13.2.</td>
</tr>
<tr>
<td>Outturn</td>
<td>Estimated year-end net financial position based on actual costs to date and known expenditure &amp; income expected to be realised before period/year-end.</td>
</tr>
<tr>
<td>Section 151</td>
<td>Section 151 of the Local Government Act 1972 requires the Council to maintain an adequate and effective system of internal control. The S.151 Officer is the designated finance officer within the Council with overall responsibility for ensuring that the Council complies with the Act.</td>
</tr>
</tbody>
</table>
## Glossary (continued)

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplementary Estimate</td>
<td>The process where budgets are given additional funds where virement from within the budget cannot fully cover an overspend. SE’s take funds from unearmarked reserves and must be repaid at the direction of the S.151 Officer.</td>
</tr>
<tr>
<td>Technical Virement</td>
<td>Technical in nature i.e. asset rentals, recharges.</td>
</tr>
<tr>
<td>Virement</td>
<td>The approved transfer of funds between budget codes.</td>
</tr>
<tr>
<td>Whistleblowing policy</td>
<td><a href="http://intranet/Internal_Audit/documents/Confidential_Reporting.pdf">http://intranet/Internal_Audit/documents/Confidential_Reporting.pdf</a></td>
</tr>
</tbody>
</table>
## Contacts

<table>
<thead>
<tr>
<th>TITLE</th>
<th>OFFICER</th>
<th>DETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Chief Executive (G&amp;F)</td>
<td>Geoff Snelson</td>
<td>2665</td>
</tr>
<tr>
<td>Assistant Chief Executive (S&amp;P)</td>
<td>Anthony Smith</td>
<td>2474</td>
</tr>
<tr>
<td>Audit Commission Manager</td>
<td>John Best</td>
<td>2200</td>
</tr>
<tr>
<td>Finance Manager Capital &amp; Treasury</td>
<td>Anthony Smith</td>
<td>2474</td>
</tr>
<tr>
<td>Finance Manager Revenue</td>
<td>Isabell Procter</td>
<td>2756</td>
</tr>
<tr>
<td>Head of Audit &amp; Risk Management</td>
<td>Duncan Wilkinson</td>
<td>2089</td>
</tr>
<tr>
<td>Head of Development &amp; Design</td>
<td>Andrew Armes</td>
<td>2586</td>
</tr>
<tr>
<td>Head of Finance</td>
<td>Isabell Procter</td>
<td>2756</td>
</tr>
<tr>
<td>Head of Information Technology</td>
<td>Steven Jewell</td>
<td>4141</td>
</tr>
<tr>
<td>HR Manager (Organisational &amp; Support Development)</td>
<td>Morag Shaw</td>
<td>3857</td>
</tr>
<tr>
<td>Income &amp; Payments Manager</td>
<td>John Pettitt</td>
<td>2315</td>
</tr>
<tr>
<td>Insurance &amp; Risk Manager</td>
<td>Philip McCourt</td>
<td>2962</td>
</tr>
<tr>
<td>Monitoring Officer</td>
<td>Hilary Parker</td>
<td>4614</td>
</tr>
<tr>
<td>Partnership Delivery Manager</td>
<td>Hilary Parker</td>
<td>4614</td>
</tr>
<tr>
<td>Payroll Manager</td>
<td>Rebecca Thomas</td>
<td>2444</td>
</tr>
<tr>
<td>Revenue Manager Technical</td>
<td>Isabell Procter</td>
<td>2756</td>
</tr>
<tr>
<td>Section 151 Officer</td>
<td>Isabell Procter</td>
<td>2756</td>
</tr>
<tr>
<td>Section 151 Officer (Deputy)</td>
<td>Peter Smettem</td>
<td>2334</td>
</tr>
<tr>
<td>Valuer to the Council</td>
<td>Roger Sanders</td>
<td>2528</td>
</tr>
</tbody>
</table>