

**Audit Committee – 20 April 2015**

**Review of the Constitution –Part 4- Section 7- Financial Rules**

**1. Summary of report:**

1.1 This report sets out some minor changes to the Constitution rules of procedure

**2. Background papers:**

2.1 Council's Constitution

**3. Recommendation(s)**

- i) that the amendments to finance procedure rules contained within this report be approved for inclusion in the updated Constitution at its Annual meeting in June 2015 ;

**4. Background**

4.1 Part 4 of the Constitution relates to rules of procedure and is made up of eight sections, the seventh and eight sections being the financial rules and contract rules which are the responsibility of the Audit Committee.

4.2 The proposed amendments are contained within the attached appendix.

**5. Resource and Legal Considerations:**

5.1 None directly arising from this report.

**6. Performance and risk management issues:**

6.1 Performance and risk management are a feature of all Council functions. It is important that Council policies and procedures are reviewed and updated on a regular basis. If the Council fails to do this there is an increased risk that the Council will be subject to legal challenge or litigation. In terms of performance it is important that elected members and officers have a clear framework of standards to follow in delivering services to the community. These frameworks provide accountability and transparency in respect of the way in which the Council deliver services. The Constitution is a key part of this framework of internal control.

## 7.0 Equality Implications:

- 7.1 In maintaining up-to-date policies and procedures the Council will ensure that services are delivered fairly in an open and transparent manner.



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| Current   | Proposed   |
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| <p><b>1.3 Role of the Cabinet and Executive Directors</b></p> <p>1. Where these rules require a decision of the Cabinet:</p> <p>(a) The Cabinet as a whole shall take the decision in accordance with authority given to it in the Council's constitution, and</p> <p>(b) Where the decision, is a 'key decision' as described in article 12.03 of the Council's constitution, it shall be taken only in accordance with the rules set out in the constitution.</p>   | <p><b>1.3 Role of the Cabinet and Executive Directors</b></p> <p>1. Where these rules require a decision of the Cabinet:</p> <p>(a) The Cabinet as a whole shall take the decision in accordance with authority given to it in the Council's constitution, and</p> <p>(b) Where the decision, is a 'key decision' as described in article 11.03 of the Council's constitution, it shall be taken only in accordance with the rules set out in the constitution.</p>  |
| <p><b>1.4 When Financial and Contract Rules apply</b></p> <p>4. Where managers take decisions involving the purchase or hire of vehicles, they shall first consult with the Council's fleet manager, the Council's treasury manager and then follow financial and contract rules.</p>   | <p><b>1.4 When Financial and Contract Rules apply</b></p> <p>4. Where managers take decisions involving the purchase or hire of vehicles, they shall first consult with the Council's officer for fleet management, the Council's treasury manager and then follow financial and contract rules.</p>   |
| <p><b>2.2 Financial management standards</b></p> <p>1. All officers and members of the Council have a duty to abide by the highest standards of probity in dealing with financial issues. This is made possible by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. It is each manager's responsibility, through the IPM process, to ensure that officers they are responsible for are adequately trained to understand their responsibilities and perform their duties.</p> | <p><b>2.2 Financial management standards</b></p> <p>1. All officers and members of the Council have a duty to abide by the highest standards of probity in dealing with financial issues. This is made possible by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. It is each manager's responsibility, to ensure that officers they are responsible for are adequately trained to understand their responsibilities and perform their duties.</p> |

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| <p><b>2.3 Virements and budget transfers</b><br/> <b>2. Virements</b><br/> (d) The Executive may:</p> <p>(i) Increase capital or revenue expenditure in-year by use of general reserves (in addition to the use of reserves planned in the budget calculations), provided that such use of reserves do not exceed £1,000,000 in aggregate in a financial year and provided that the Chief Finance Officer has certified in writing that such use of reserves would not cause the council's overall reserves to fall below a prudent level.</p> | <p><b>2.3 Virements and budget transfers</b><br/> <b>2. Virements</b><br/> (d) The Executive may:</p> <p>(i) Increase capital or revenue expenditure in-year by use of general reserves in accordance with the Councils approved Medium Term Financial Strategy, provided that the Chief Finance Officer has certified in writing that such use of reserves would not cause the councils overall position to fall below the specified level.</p> |
| <p><b>2.3 Virements and budget transfers</b><br/> <b>2. Virements</b><br/> (g) A school's governing body may transfer budget provisions between heads of expenditure within the delegated school budget following notification to the Executive Director with service responsibility.</p>  | <p><b>2.3 Virements and budget transfers</b><br/> <b>2. Virements</b><br/> delete</p>  |
| <p><b>2.4 Treatment of year-end balances</b><br/> 2. All internal business unit surpluses are to be retained for the benefit of the Council and their application shall require approval of the Cabinet.</p>   | <p><b>2.4 Treatment of year-end balances</b><br/> 2. delete</p>  |
| <p><b>2.5 Accounting policies</b><br/> 2. The Chief Finance Officer shall ensure that:</p> <p>(a) Systems of internal control are in place that ensure financial transactions are lawful,</p> <p>(b) Suitable accounting policies are selected and applied</p>   | <p><b>2.5 Accounting policies</b><br/> 2. The Chief Finance Officer shall ensure that:</p> <p>(a) Systems of internal control are in place that ensure financial transactions are lawful,</p> <p>(b) Suitable accounting policies are selected and applied</p>   |

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| <p>consistently,</p> <p>(c) Proper accounting records are maintained, and</p> <p>(d) Financial statements are prepared following the financial year-end that present fairly the financial position of the authority and its expenditure and income.</p>   | <p>consistently,</p> <p>(c) Proper accounting records are maintained, and</p> <p>(d) Financial statements are prepared following the financial year-end that present a true and fair view of the financial position of the authority and its expenditure and income.</p>   |
| <p><b>2.6 Accounting records and returns</b></p> <p>1. The Council shall maintain and comply with its statutory responsibility to prepare its annual accounts to present fairly its operations during the financial year. These accounts shall be subject to external audit</p>   | <p><b>2.6 Accounting records and returns</b></p> <p>1. The Council shall maintain and comply with its statutory responsibility to prepare its annual accounts to present a true and fair view of its operations during the financial year. These accounts shall be subject to external audit.</p>  |
| <p><b>2.7 The Annual Statement of Accounts</b></p> <p>The Council shall undertake its statutory responsibility to prepare and publish its own accounts to present fairly its operations during the year. The Council's audit committee shall be responsible for approving the statutory annual statement of accounts.</p> | <p><b>2.7 The Annual Statement of Accounts</b></p> <p>The Council shall undertake its statutory responsibility to prepare and publish its own accounts to present a true and fair view of its operations during the year. The Council's audit committee shall be responsible for approving the statutory annual statement of accounts.</p> |
| <p><b>3. Financial planning</b></p> <p><b>3.3 Budgets and medium-term financial planning</b></p>  | <p><b>3. Financial planning</b></p> <p><b>3.3 Budgets and medium-term financial planning</b></p> <p>4 The Council, through its Cabinet and Executive Directors, shall ensure that a budget exists to cover its entire operations, and shall create and maintain controls to ensure that:</p>   |

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| <p><b>3.6 Maintenance of reserves</b></p> <p>1. The Council shall establish and maintain a programme of capital expenditure to enable it to acquire or enhance fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. This capital programme shall be approved annually by the Council to enable it to shape the way the Council's services are delivered in the long term.</p> | <p>(a) An appropriate budget is produced,</p> <p>(b) Procedures are in place for forecasting and monitoring the revenue and capital budgets under their control.</p> <p>(c) Regular reporting to Cabinet on the financial position of the budget is carried out.</p> <p><b>3.6 Maintenance of reserves</b></p> <p>1. Delete</p> |
| <p><b>5.4 Preventing fraud and corruption</b></p> <p>4. Every officer of the Council shall inform his or her line manager or immediate superior of any benefits, gifts or hospitality which may be provided during the course of his or her duties or by way of his or her employment with the Council.</p>  | <p><b>5.4 Preventing fraud and corruption</b></p> <p>4. Every officer of the Council shall inform his or her line manager of any benefits, gifts or hospitality which may be provided during the course of his or her duties or by way of his or her employment with the Council.</p>   |
| <p><b>6.4 Staffing</b></p> <p>The Council, through its Cabinet and Executive Directors, shall ensure that a budget exists to cover its entire staff, and shall create and maintain controls to ensure that:</p> <p>(a) An appropriate staffing budget is produced,</p>   | <p><b>6.4 Staffing</b></p> <p>Delete</p>  |

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| <p>(b) Procedures are in place for forecasting staffing requirements and cost.</p> <p>(c) Controls are implemented that ensure staff time is used efficiently and to the benefit of the authority</p> <p>(d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.</p> |   |
| <p><b>8.6 Trading accounts and business units</b></p> <p>For Trading accounts and business units authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.</p>  | <p><b>8.6 Trading accounts and Walsall Adult Community College</b></p> <ol style="list-style-type: none"> <li>1. For Trading accounts authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.</li> <li>2. Walsall Adult Community College shall submit financial and operational plans to the executive annually for approval.</li> <li>3. Walsall Adult Community College must submit regular progress reports to the Corporate management on progress against those plans.</li> </ol> |