The Sheffield City Region Combined Authority

Financial Regulations
2018

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AUTHOR:
Mike Thomas, SCR Senior Finance Manager (Deputy Section 73 Officer)

PROPOSED AMENDMENTS APPROVED BY:
Eugene Walker, SCR Finance Director (Section 73 Officer)

1. Background

1.1. The purpose and authority of the Financial Regulations

These Regulations form part of the Authority's Constitution and as such carry with them the same authority. They set out the financial management policies of the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority and are a key part of the Authority's financial governance arrangements.

They are intended to help Members and Officers manage the Authority's finances in line with best practice and should be read and implemented in the wider context of the Authority's Constitution. The Finance Director is required to formulate and maintain any standards, procedures, processes and training as she / he deems necessary to support the effective implementation of these Regulations.

It is important that these Regulations are, and continue to be, relevant to the Authority. They should be reviewed regularly to remain consistent with the Authority's Constitution and related documentation and to be in line with accounting best practice, legislation and any changes in the Authority's requirements.

Any changes to these Regulations must be proposed by the Finance Director and approved by the Authority.

1.2. Accountability for compliance

These Regulations are a key element of the Authority's governance arrangements. The Finance Director is required to sign the Annual Governance Statement (AGS) to confirm that they fully comply with the prescribed governance arrangements of the Authority including these Regulations.

All officers working for or on behalf of the Authority are accountable for following the rules set out in these Regulations and all relevant financial and accounting procedures as prepared by the Finance Director.

Non-compliance with these Regulations and associated procedures may result in the withdrawal of delegated financial authority and / or the instigation of disciplinary procedures.

Adherence to the processes associated with the Authority's finance systems (Integra and Qtier Rapor) is also essential to ensuring that officers are complying with these Regulations.

1.3. Accounting Policies

The Finance Director is responsible for selecting Accounting Policies and ensuring that they are applied consistently. The Accounting Policies are set out in the Statement of Accounts which is prepared as at 31st March each year. The key controls in Accounting Policies are that:

- Systems of internal control are in place to ensure that financial transactions are lawful.
- Proper accounting records are maintained.
- Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.

1.4. Risk management

These Financial Regulations and associated finance systems and processes are a key part of the Authority's risk management framework and associated risk strategies. By following these Regulations and associated processes, and by ensuring that the financial risks and opportunities of any activity are fully considered and recorded in line with the risk management framework. Officers will demonstrate compliance with corporate risk management requirements.

1.5. Internal Control

Internal Control is the system put in place by the Authority to conduct its business in an orderly and efficient manner. It is used to safeguard its assets and resources, to deter and detect errors, fraud and theft, to ensure accuracy and completeness of its accounting data, to produce reliable and timely financial and management information and ensure adherence to the Authority's policies and plans.

The Head of Paid Service is required to highlight deficiencies in the control framework and to identify significant incidents that have occurred. As part of the Annual Governance process, s/he must also confirm that there are satisfactory arrangements in place to manage internal controls.

2. Financial Management

2.1. Responsibilities and Delegated Authority

Many of the responsibilities for financial matters are defined in Part 4 of the Authority's Constitution – Responsibility for Functions. The responsibilities are either reserved for the Authority to exercise or delegated to Committees, Chief Officers or specific officers such as the Finance Director. In certain cases responsibilities are referred for advice, however the responsibility for the function is not delegated and remains with the Authority.

2.1.1. <u>The Authority</u>

The Authority has overall responsibility for ensuring that the Authority's expenditure remains within the resources available to it.

Functions reserved to the Authority, which include approving the Annual Revenue and Capital Budgets, are set out in Part 4A of the Authority's Constitution and/ or prescribed by law.

If the Head of Paid Service has any doubt whether a proposed decision is in accordance with the approved Policy Framework, the Revenue Budget or the Capital Programme, s/he must take advice from the Monitoring Officer and the Finance Director.

If the advice of either of those officers is that a decision would not be in line with the approved Annual Revenue Budget or Capital Programme, then, subject to the rules of virement (see Section 3.5) and subject to the urgency procedure the decision may only be taken by the Authority.

2.1.2. <u>The Head of Paid Service</u>

The Head of Paid Service has overall responsibility for the management and co-ordination of the employees appointed by the Authority.

Consistent with their role as a Chief Officer of the Authority, the Head of Paid Service is responsible for ensuring that the services provided to the Authority by staff under their control are in accordance with the Financial Regulations of the Authority.

2.1.3. <u>The Finance Director</u>

The Finance Director is responsible for the proper administration of the Authority's financial affairs, particularly in relation to financial advice, procedures, records and accounting systems, internal audit and financial control generally.

The Finance Director is also authorised to sign any and all grant claims, statutory returns or other documents that require the authority of the Finance Director on behalf of the Authority.

2.2. Asset Management

2.2.1. Finance Director

The Finance Director has overall responsibility for the financial elements of the Authority's Asset Register and for ensuring that it complies with all necessary accounting requirements.

The Finance Director is responsible for approving the use of leases to finance purchases. Revenue costs will be met from within cash allocations, agreed as part of the Annual Revenue Budget process.

2.2.2. The Head of Paid Service

The Head of Paid Service is responsible for managing the Authority's assets and ensuring that the Authority maintains an update to date Asset Register.

Additionally s/he is responsible for ensuring adequate arrangements are in place for maintaining and safeguarding the Authority's property assets.

2.2.3. Acquisition and disposal of Capital Assets

It is the responsibility of the Head of Paid Service to authorise the acquisition and disposal of capital assets, aside from the disposal, acquisition and development of any land by the Authority or SYPTE which, subsequent to Part 4 of the Authority's Constitution, may be authorised by the Authority.

Decisions concerning the acquisition and disposal of Capital Assets should be referred to the Finance Director for advice on the financial implications.

2.3. Financial Risk Management

The Head of Paid Service is responsible for ensuring that risk management and business continuity are embedded at all levels in line with the Risk Management Framework and, in respect of financial risk management, ensuring the effective stewardship of public funds. S/he is responsible for identifying and controlling risks and should report significant financial risks to the Finance Director.

The Finance Director will report key risks to the Authority via the normal budget monitoring report process.

2.3.1. Money Laundering

The Deputy Section 73 Officer is the Officer nominated to receive disclosures about Money Laundering activity within the Authority, i.e. suspicious transactions for the purposes of the Proceeds of Crime Act 2002 and any regulations made thereunder.

Specific responsibilities relating to money laundering are set out in the Anti-Money Laundering Policy (appended to these Regulations) and the Head of Paid Service is responsible for ensuring that this policy is adhered to.

2.3.2. Fraud

Officer responsibilities in relation to fraud and corruption are defined in the Authority's Anti-Fraud and Corruption Policy as set out in Part 6E of the Constitution.

All Officers, acting for or on behalf of the Authority, and Members are responsible for notifying the Finance Director where there is any actual or suspected irregularity affecting the Authority's assets.

2.4. Insurance

The Head of Paid Service is responsible for:

- Ensuring that prompt notification is given to the Finance Director of all circumstances involving both existing and new risk, the occurrence of which could result in the Authority incurring a substantial liability. This will include details about Members, Officers, service users, third parties, property, vehicles, plant or other assets, trading activities undertaken with organisations external to the Authority, and any alterations affecting existing insurances, as well as potential insurance claims that may result from acts or omissions on the part of the Authority.
- Immediately notifying the appropriate parties of any loss, liability or damage or any event likely to lead to a claim and take such action as may be necessary to satisfy any policy conditions.
- Dealing with any claims arising.
- Ensuring that the insurance cover chargeable is accurate and up to date.
- Providing insurance renewal information on an annual basis, or as required, to ensure continuity of insurance cover.
- Informing the Finance Director of any vehicle acquisitions/disposals or premises acquisitions or disposals and of any occupations or vacations of premises.

2.4.1. <u>The Finance Director</u>

The Finance Director will arrange the insurances considered necessary to cover risks to which the Authority is exposed and will settle all claims under such insurances arranged for the Authority's benefit.

The Finance Director will periodically review all insurances in consultation with the Head of Paid Service and determine the premiums to be charged as part of the Annual Budget process.

3. Financial Planning

There are three elements to the Authority's financial planning process:

- Medium Term Financial Strategy
- Annual Revenue Budget
- Capital Programme

Each element has a specific purpose and is designed to ensure the robustness of the Authority's overall financial arrangements.

3.1. Medium Term Financial Strategy

The Medium Term Financial Strategy is a key requirement of good governance and is an important tool to help the Authority deliver its objectives. It will set an integrated financial plan for at least a three year period. This will form a foundation of both the Annual Revenue and Capital Budgets and contain projections for at least the following two years. Included in these projections will be forecasts of the Authority's reserves and balances.

The Finance Director is responsible for producing the Medium Term Financial Strategy, in conjunction with other Chief Officers, which must be approved by the Authority.

3.2. The Annual Revenue Budget

The Annual Revenue Budget sets the budget proposals for the Authority for a one-year period and also sets the Transport Levy (pursuant to the Transport Levying Bodies Regulations 1992) for the following financial year.

3.2.1. Finance Director

The Finance Director will be responsible for preparing detailed proposals for the Annual Revenue Budget for the coming year in conjunction with the Head of Paid Service. As part of the Annual Revenue Budget, the Finance Director will be responsible for ensuring that the budget proposed meets relevant statutory requirements.

The Finance Director will advise on the inclusion of contingencies to cover exceptional in-year income and/or expenditure movements and potential commitments which are uncertain either in terms of their financial impact or timing. The Head of Paid Service will notify the Finance Director of any such items as part of the budget setting process so that an appropriate level of contingencies can be approved by the Authority.

3.3. Annual Revenue Budget Approval

The Authority is responsible for approving the annual revenue budget of the Authority within the Budget and Policy Framework, including:

- Setting of a levy pursuant to the Transport Levying Bodies Regulations 1992 on or before the 15^{th} February in the preceding year.
- Estimates of income and expenditure of the South Yorkshire Passenger Transport Executive (SYPTE).
- Grants to be made to SYPTE pursuant to section 13 of the Transport Act 1968.

The Authority is required to set the Annual Revenue Budget for the forthcoming financial year, by such time as defined by statute.

Once the Annual Revenue Budget has been approved by the Authority, the Head of Paid Service may incur expenditure up to the amount approved for the period covered by that budget. Individual items of expenditure within the budget must still be approved in accordance with the Authority's Constitution including these Financial Regulations and Contracts Procedure Rules.

3.4. Annual Revenue Budget Monitoring

3.4.1. Finance Director

The Finance Director is responsible for producing an annual timetable for budget monitoring reporting. Reports, prepared on an accrued basis, will be presented to the Authority by the Finance Director.

The Finance Director may recommend that budget monitoring information is subject to the scrutiny arrangements as set out in the Part 5C of the Constitution.

As soon as practical after the end of the financial year, the Finance Director will report to Authority the overall Revenue out-turn position including details of reserves, balances and provisions held by the Authority. The report should include recommendations relating to the treatment of any under or over spending by the Authority.

3.4.2. The Head of Paid Service

The Head of Paid Service is responsible for:

- Taking appropriate action to ensure that the overall spending of the Authority is within available resources.
- Managing the approved Revenue Budget within the cash allocations and financial targets approved by the Authority, unless specific additional resources are provided by the Authority during the year.
- Ensuring that commitments relating to spending in future years are not made without the agreement of the Finance Director. Any such commitments must be within the financial parameters set in the Medium Term Financial Strategy.
- Ensuring that officers of the Authority work within the timescales and procedures stipulated from time to time by the Finance Director.

3.5. Virements and Variations to the Annual Revenue Budget

3.5.1. Virements

All Officers of the Authority who have revenue expenditure under their control are responsible for optmising their resources and managing them prudently.

Virements are intended to enable the Head of Paid Service to manage budgets with a degree of flexibility, provided they remain within the overall Budget and Policy Framework as determined by the Authority.

Key controls for virements are that:

- They must be approved in line with these Regulations.
- They must not create additional overall budget liability, for example by creating future commitments from one-off additional spending.

Virements will not be permitted from capital financing charges, levies or other areas of spending, as prescribed by the Finance Director, without the specific approval of the Finance Director.

3.5.2. Approval of Virements between expenditure heads

Approval of the virement must be in line with the limits shown below:

- Under £100,000: the virement may be approved by the Finance Director.
- £100,000 and over: the virement may only be approved by the Authority.

Where a virement would represent a major change of policy it must be approved by the Authority.

When the cumulative effect of virements goes over £250,000 during a financial year, these must be approved by the Authority.

3.5.3. Approval of Virements between reserves and expenditure heads

The Finance Director is responsible for formulating an annual Reserves Strategy for approval in line with the Constitution.

The Finance Director may approve the transfer to reserves of a restricted grant, being either ring fenced or subject to conditions imposed by the funder, received by the Authority where the related expenditure is not expected to be incurred in the current financial year.

As part of their duty to make arrangements for the proper administration of financial affairs, the Finance Director will manage the need for transfers to and from reserves in line with the approved Reserves Strategy. Movement to and from reserves will be reported to the Authority as part of the Revenue Budget Monitoring process. Where the proposed transfer is not consistent with the approved Reserves Strategy or does not relate to the receipt of a restricted grant, then subject to the urgency procedure, the decision may only be taken by the Authority.

Requests to carry forward underspends or to establish earmarked reserves should be linked to the annual revenue budget and may only be done following review by the Finance Director. Transfers made will be highlighted to the Authority as part of the Revenue Budget Monitoring process.

3.5.4. Variations

Variations are changes to the Authority's overall level of resources as set out in the Revenue Budget that is approved by the Authority.

Any decision about any matter which would be contrary to or not wholly in accordance with the Budget must be taken by the Authority. This requirement is subject to the urgency procedure contained in [Part 5A] of the Constitution.

3.5.5. Approval of Variations

Any change to the overall level of available resources as set out in the Budget shall be referred to the Authority for consideration of a supplemental estimate.

Requests for variations must be submitted to the Authority for approval by the Finance Director.

3.5.6. Recording Virements and Variations

All approved Virements and Variations must be recorded on the Authority's Finance System.

4. Borrowing and Investment (Treasury Management)

4.1. The Authority

The Authority is responsible for:

- Approving the Treasury Management Strategy and the Investment Strategy of the Authority and its subsidiaries (including SYPTE).
- Approving the borrowing limits of the Authority pursuant to section 3 of the Local Government Act 2003.
- Approving borrowing by SYPTE pursuant to section 12(3), Transport Act 1968.
- Lending money to SYPTE pursuant to section 12(4) Transport Act 1968.

4.2. Finance Director

Only the Finance Director may enter into any borrowing, investment and financing arrangements on behalf of the Authority. He is responsible for formulating an annual Borrowing Strategy and Treasury Management Policy for approval by the Authority in line with the Constitution.

The Treasury Management Policy and associated Treasury Management Practices will be issued and updated in accordance with all relevant legislation and recommended Codes of Practice (including CIPFA's Prudential Code for Capital Finance in Local Authorities).

The Finance Director is responsible for providing an annual report to the Authority on treasury management activities, transactions and decisions over the preceding twelve months.

In undertaking the Authority's borrowing and investment operations, the Finance Director will ensure compliance with the Borrowing Strategy, the Treasury Management Policy and all associated Treasury Management Practices.

As per Part 4E of the Authority's Constitution, the Finance Director is authorised to sign certificates under the Local Government (Contracts) Act 1997 on behalf of the Authority.

5. Financial Implications

The Head of Paid Service is responsible for ensuring that all reports to the Authority include a section entitled 'Financial Implications'. This section must summarise the capital and revenue expenditure implications of the proposals in the report together with any associated financial risks. The implications identified should be documented and retained, in case of future challenge or audit requirement.

This will help to ensure that, from the beginning of the decision making process:

- The financial implications of decisions are given proper consideration.
- There is professional input from officers in the Finance & Commercial Services team.
- Discussions and subsequent decisions take place with all the available information.

The Finance Director will issue guidance as to when matters should be referred to the Chief Officers in advance to enable them to form and communicate an opinion. This guidance must always be followed.

6. Capital Programme

The Capital Programme is made up of a number of schemes / projects which meet the definition of capital spending. It is the planned list of projects, together with supporting funds.

Accounting for capital projects will be in accordance with current and approved International Financial Reporting Standards and the Statement of Recommended Accounting Practice (SORP).

6.1. Roles and responsibilities

6.1.1. The Finance Director

The Finance Director, in consultation with appropriate Officers, including the Executive Director of SYPTE, shall prepare an annual programme of capital expenditure, together with proposals for the financing of that programme. This programme will separately identify capital expenditure relating to both schemes promoted by the Authority and those directly managed by SYPTE.

S/he shall prepare budget monitoring reports, detailing the financial progress of the capital budget, on at least a quarterly basis, for presentation to the Authority as required.

6.1.2. The Authority

The Authority is responsible for the approval of the overall Capital Programme, including schemes promoted by both the Authority and those directly managed by SYPTE.

6.2. Capital Programme funding

Capital expenditure cannot take place unless it is fully funded or any funding gaps are approved by the Finance Director.

In line with section 7.1 of these Regulations, bids for external funding to support capital projects cannot take place until approved by either the Finance Director or other authorised Finance Officers. Offers of such funding cannot be accepted unless the Accountable Body status of the Authority has been agreed in line with 7.2 of these Regulations.

Funding cannot be recognised until all conditions for its receipt have been met.

Capital Funding cannot be used to fund revenue expenditure.

6.3. Approval for New Projects / Inclusions / Changes

All new capital projects / inclusions in year and significant changes to the Capital Programme must be approved by the Authority or otherwise in line with the these Regulations.

Approval for projects financed wholly or in part by external funding is conditional on agreement to the Authority becoming the Accountable Body for that funding. This agreement must be obtained in line with the requirements of these Regulations before any offers of funding are accepted.

Where the project involves the Authority guaranteeing the liabilities of a third party then this must also be approved in accordance with the requirements of these Regulations.

6.4. Emergency approvals

Where an emergency approval is required, this must be provided in accordance with all applicable urgency procedures set out in Part 5A of the Constitution

As an additional requirement, emergency approvals must be referred to the Finance Director or any Officer authorised to act on his or her behalf in this respect.

Any such approvals shall be reported retrospectively to the Authority in the next budget monitoring report by the Finance Director. If, by the time the decision is retrospectively reported to the Authority no action has been taken, an emergency approval may be rescinded by the Authority.

6.5. Variations to projects in the Capital Programme

Changes to a project's finance require approval as a 'Variation' subject to necessary capital resources being available.

Any variations to the total annual cost of the SYPTE capital budget shall require the approval of the Authority.

Where no borrowing is required to finance a capital scheme, the capital budget of the Authority may be increased in-year on the following basis:

- In relation to the Combined Authority's non-transport capital budget, by up to £250,000 with the approval of the Finance Director.
- In relation to the Combined Authority's transport capital budget, by up to £250,000 with the approval of the Finance Director.

For authorisation purposes, Variations are measured cumulatively from the last approval by the Authority.

Significant changes to individual schemes within the Authority's capital programme that result in cost increases that exceed the lower of:

1) 10% of any individual scheme approved by the Authority, or,
2) £250,000

Must be approved by the Authority, irrespective of whether the change results in the Authority exceeding its annual approved capital budget.

Where any proposed variation is not covered by the above then it must be referred to the Authority for approval.

6.6. Virements

Virements are not permitted between Capital schemes. Changes from Authority approved amounts must be treated as Variations.

6.7. Slippage and / or accelerated spend

Where the timing of expenditure deviates from the annual profile approved by the Authority this should be reflected in the budget monitoring report. Where the forecast has changed such that expenditure will move between financial years, the quarterly report to the Authority will seek approval for this change.

6.8. Change in Scope

Where material output from the project will be different from that of the last approved one, Authority approval must be sought.

6.9. Revenue implications

The revenue expenditure implications of the proposed Capital Programme will be considered as part of the approval process outlined in these Regulations.

Where it has been identified that a project will overspend despite all mitigating action, and that no alternative capital funding source is applicable, then the overspend must be made good from revenue funding. This will be highlighted to the Authority as part of the Revenue Budget Monitoring Process.

6.10. Capital Receipts

Any decision on the use of Capital Receipts (including central government grants treated in the same way as Capital Receipts) will be taken as part of the overall approval for the project through recommendation by the Finance Director.

When making his/her recommendation, the Finance Director will have regard to the following:

- Optimising the use of any uncommitted capital funds, particularly those which are time-sensitive.
- Seeking to minimise borrowing and capital financing costs wherever possible.

7. External Funding / Grants

7.1. Roles and responsibilities

7.1.1. <u>Finance Director</u>

The Finance Director is responsible for:

- Ensuring there are proper processes and procedures in place for the completion, assessment, authorisation and submission of applications for external funding and any subsequent claims.
- Ensuring that applications for grant to the UK Government, the European Union (EU) or any other source of funding are correctly completed and submitted by the required date with a view to maximising the income to the Authority in terms of cash flow.
- The approval of all completed grant claims and certifications.
- The approval of all documentation related to match funding, e.g. certificates, letters of comfort, heads of terms, contracts.
- Ensuring all statutory financial returns related to external funding are completed and submitted in line with relevant guidelines.
- Ensuring the income due from grant claims is received.
- Ensuring that records are kept for the reconciliation of grants due and received. Such records must have robust audit trails and meet External Audit requirements.

Additionally the Finance Director is responsible for approving whether:

- To accept grant offers on behalf of the Authority, subject to all the terms and conditions imposed by the grant awarding body.
- It is appropriate for the Authority to act as the Accountable Body for external grant aid or to provide guarantees in relation to the liabilities of a third party, subject to him/her referring the decision to the Authority.

7.1.2. <u>The Head of Paid Service</u>

The Head of Paid Service is responsible for ensuring that:

- External funding claimed by the Authority is maximised, with due regard to risk and other relevant factors.

- All applications for external funding are made in accordance with all the processes and procedures laid down by the Finance Director.
- Offers of external funding are only accepted in accordance with the requirements of these Regulations, particularly in relation to agreement to the Authority becoming the Accountable Body for the funding and / or guaranteeing the liabilities of third parties.
- All the funding body's conditions and criteria including any additional procurement requirements are met.
- All required evidence related to the external funding body's qualifying conditions and / or criteria is collected and retained as required.
- Where a third party is involved in delivery of an externally funded project for which the Authority is the Accountable Body, that all necessary evidence is collected and retained.
- Grant claims are prepared and submitted as required.
- Where the Authority is providing match funding, all documentation as required by the funding body is duly authorised by the Finance Director, or other authorised Officers. Documentation includes but is not confined to Match Funding Certificates, Letters of Comfort and Heads of Contract.
- Risks to the Authority are appropriately identified, recorded and managed.
- Any legal implications and risks of working with third parties are appropriately addressed.
- All external funding is managed using the Authority's systems and processes.

7.2. Accountable Body

The Accountable Body is legally responsible for ensuring that the requirements of the funder are met.

Based on an assessment of risk, and other pertinent information, the Finance Director is responsible for approving whether or not it is appropriate for the Authority to act as the Accountable Body for external grant aid or to provide guarantees in relation to the liabilities of a third party.

The decision to agree to the Authority becoming the Accountable Body must be taken before any offers of funding are accepted.

Where the Authority is guaranteeing the liabilities of a third party this must also be approved in accordance with these Regulations.

Where in the opinion of the Finance Director the risks associated with the Authority becoming the Accountable Body or guaranteeing the liabilities of a third party, merit doing so, s/he can require the decision to be taken by the Authority.

7.3. Audits of external funding

Internal and external (if required) audits of external funding shall be carried out in accordance with the conditions / criteria related to the funding.

7.4. Retention of documentation

All evidence required by the funding body must be collected and retained in line with the conditions / criteria related to the funding.

Records will be held for the greater of, the time period stipulated by the funder and the one prescribed in the Financial Records Retention Schedule, appended to these regulations.

Documents pertaining to ERDF supported projects must be retained until at least 3 years after the UK receives its final payment to the programme from the E.C. or for such longer period as may be prescribed by the funder in a particular case.

8. Income management

8.1. Roles and responsibilities

8.1.1. Head of Paid Service

The Head of Paid Service is responsible for:

- Having arrangements in place for payment up front wherever possible and for having appropriate arrangements for the storage and banking of cash.
- Ensuring adequate security arrangements for the storage and transportation of cash, requesting insurance cover and immediately informing the Police, Internal Audit and the Insurance and Risk Team where any theft of cash or its equivalent is discovered or suspected.
- Ensuring that relevant staff use only the standard payment methods, as determined by the Finance Director to collect payments.
- Ensuring that, where partnership working arrangements are in place, the partner organisations only use the standard payment methods.
- Ensuring that all systems and processes related to customer payments comply with all relevant legal and security requirements, e.g. the Payment Card Industry Data Security Standard (PCI DSS) which is a set of guidelines designed to help keep customer's payment card data secure.
- Effectively managing the level of debt within the Authority, including resolving customer disputes within the required timescales, identifying debts that are clearly irrecoverable and authorising them to be written off.
- Ensuring that all relevant documentation related to the supply is retained and accessible in the event of it being required for debt recovery procedures, up to and including court action.
- Ensuring that staff are aware of the possibility of money laundering activities and that they comply with the Anti – Money Laundering Policy (appended to these Regulations).

8.1.2. Finance Director

The Finance Director is responsible for:

- Determining the standard payment methods that may be used to collect income. Payments cannot be made by any other means except by express permission of the Finance Director.
- All debt recovery.
- Providing advice on best practice for cash storage and banking.
- Receiving disclosures about Money Laundering activities within the Authority.
- Providing insurance cover for cash and cheques awaiting banking as requested by the Head of Paid Service.

8.1.3. <u>All officers involved in the sundry debt process</u>

All Officers responsible for raising invoices, credit notes, refunds, debt recovery and write-offs must not do so for debts owed by themselves or family members, or where they have a vested interest.

8.2. Separation of duties

The system adopted for the collection and banking of income must incorporate separation of duties between the different functions as a principal form of internal control.

To comply with this principle Managers must ensure that an officer **does not carry out** functions from both Column 1 and Column 2 (below) in any given time period. This ensures that, for example, an officer does not check that the amount of money they themselves have collected equals the money that has been banked.

Table 1	Table 2
Identifying charges or taking a booking	Reconciling receipts to income
Billing	Banking income
Collection and receipt of income	Monitoring income received, banked and outstanding

All transfers of money between members of staff must be evidenced by the recorded signature of the officer receiving the money.

8.3. Payment of fees and charges

8.3.1. <u>Not-invoiced</u>

Wherever possible the provision of credit, i.e. payment via an invoice, should be avoided and, wherever appropriate, customers should be asked to pay for services up-front or at the time of service delivery. This avoids the need for invoicing thus reducing both the potential for invoices not being paid by customers and administration costs to the Authority.

8.3.2. <u>Invoiced</u>

Where payment in advance or at the point of service delivery is inappropriate a sundry debtor account must be raised on the Accounts Receivable section of the Integra finance system unless exceptions have been agreed with the Finance Director.

All sundry debtor accounts / invoices should be issued within 10 working days of the:

- Goods or services being supplied, or
- Month end where there is an on-going service provision.

To comply with all relevant HM Revenue and Customs regulations the date of the invoice must be within 60 days of the actual date of supply. Where this timescale cannot be met, appropriate advice must be sought from the Authority's Taxation Team.

The information on the Sundry Debt invoice must be correct, complete and supported by all necessary and relevant information. In the event of debt recovery action being taken, up to and including Court proceedings, this information will be required as evidence. Officers raising invoices are also responsible for ensuring that the correct VAT treatment is applied.

To ensure that invoices are raised correctly, they must only be raised by officers who have had appropriate training.

In line with standard accounting practice, income will be credited to the relevant Business Unit at the point the invoice is raised - not when it is actually received.

8.3.3. Expected income over £50,000

Where receipt of a sum of £50,000 or over is expected, e.g. completion of property purchases, this must be reported to the Authority's Treasury Management & Banking Team.

Knowing that a significant receipt is due will help this team to manage the Authority's cash flow which may well reduce the need for short term loans to cover expenditure.

8.3.4. Money Laundering

Where there are significant cash payments, i.e. £1,000 or more in cash, or up to £2,500 in linked transactions, officers should check the identity of the client in line with the Anti – Money Laundering Policy (appended to these Regulations).

Payments in cash must not be accepted by employees of the Authority or any of its agents where the amount is over the limit to be determined by the Authority's Money Laundering Reporting Officer, except without express written permission from the Finance Director. Currently the limit has been determined as £2,500.

8.3.5. Credit Notes and Refunds

Credit notes are required for an invoice that has been incorrectly raised. However, credit notes represent a control risk and as such must be properly authorised. Credit notes must be authorised jointly by the manager responsible for the budget affected and by an appropriate Finance Officer.

Refunds may only be actioned by the Finance Director or his/ her designated Officers, as per the Authority's decision making framework.

Where a refund is for a significant amount, i.e. £1,000 or more, officers should check the identity of the client in line with the Anti – Money Laundering Policy.

8.4. Interest charges

8.4.1. Interest on late payment of debt

Interest on late payment of debt by commercial customers will be applicable where agreed by the Finance Director.

8.5. Banking of collected income

8.5.1. Receipting and banking

All income received on behalf of the Authority must be receipted and paid into the appropriate bank account without unnecessary delay and in accordance with the procedures approved by the Finance Director for the banking of income.

Income must be paid in without deduction unless this is approved by the Finance Director. Third party and personal cheques must not be cashed from monies held on behalf of the Authority.

8.5.2. Safe storage of collected income

The Head of Paid Service is responsible for ensuring that all income collected prior to banking is safeguarded and that adequate insurance cover has been arranged.

The amount of cash allowed to be held in any one safe overnight will vary according to the particular insurance arrangements. Where the agreed limit is likely to be exceeded then arrangements must be made to bank the income as soon as possible.

The Finance Director will advise on best practice for cash storage and banking.

The Finance Director is responsible for providing insurance cover for cash awaiting banking as requested by the Head of Paid Service.

8.6. Debt Recovery

The Authority's standard payment terms and conditions are that, unless contractually agreed or in the case of a demand payable by installments, sundry debts are payable immediately and in full.

The Authority will undertake robust action up to and including Court action to recover money owed to it. The costs of enforcement action to recover sundry debts, up to and including court action, will be borne by the relevant Business Unit.

8.7. Bad and Doubtful Debt Provisions

If a debt is not paid by day 60, a charge will be made against the Business Unit to make full provision for the debt not being paid. Exceptions to this are where the:

- Debtor has an agreement to pay and is abiding by it.
- Debt is covered by a Charge (e.g. on property, land etc.).

Creating a provision for bad or doubtful debt does not mean that recovery action will stop. The Authority will continue to take recovery action after the provision is made.

8.8. Bad Debt Write-offs

If recovery action is unsuccessful, the Authority may write-off debts that are correctly due to it but which, for whatever reason, are no longer collectable.

All possible recovery routes should be pursued and exhausted within 12 months of the invoice date. After this timescale the outstanding debt should be written off unless:

- It is covered by an on-going payment arrangement.
- There is on-going action, up to and including Court action, to recover the debt.

The debt has been recorded on the Local Land Charges Register.

Writing off a debt involves removing a debt from the Authority's accounts using money that has been set aside as part of the bad and doubtful debt provision and will only be done in exceptional circumstances.

Write-offs must be proposed by the Head of Paid Service and approved and actioned by the Finance Director.

By the time a debt is written off a full provision must have been created for it and reported to the Authority as part of the budget monitoring process.

9. Purchasing

This section covers the principles related to procurement in the Authority, the roles and responsibilities of officers and the principles that apply to the Purchase to Payment (P2P) process. These must be complied with, unless an exception has been approved in writing in advance by the Finance Director.

All Orders for goods or services are to be placed on the Authority's Finance system or other systems as approved by the Finance Director. Irrespective of the system used, the controls and processes detailed in these regulations will apply.

All procurement must comply with Contract Procedure Rules as contained in [part 5F] of the Constitution.

9.1. Roles and responsibilities

9.1.1. <u>Finance Director</u>

The Finance Director is responsible for:

- Ensuring that VAT related records, e.g. invoices or credit notes, are stored and made available in line with H.M. Revenue and Customs (HMRC) directives.
- Compliance with the requirements of the Construction Industry Tax Deduction Scheme (CITDS) in relation to the payment of invoices relating to repairs and renovation over the stipulated monetary limits.
- Ensuring that, where required, the employment status of individuals is validated and all related records are stored and made available in line with HMRC directives.
- The approval and administration of all leasing and other credit arrangements. Records will be kept by the Finance Director of all relevant financial information relating to these arrangements.
- Ensuring that the Authority's Contracts Procedure Rules remain technically correct, up to date and fit for purpose.
- Ensuring that the Authority's Contracts Procedure Rules are adhered to. All unauthorised breaches must be reported to him / her.
- Considering requests for a waiver of Contracts Procedure Rules and actioning them where appropriate.
- Ensuring there are proper processes and procedures in place for the commissioning and procurement of goods and / or services.
- Providing access to advice and guidance on the procurement process.
- Ensuring that training and guidance is available for officers involved in the P2P process.
- Ensuring that only approved suppliers are used in the commissioning and procurement of goods and services.
- Approval of applications from Officers for procurement cards and determining monthly credit and individual transaction limits.

9.1.2. <u>The Head of Paid Service</u>

The Head of Paid Service is responsible for ensuring that all purchasing within the Authority complies with the following principles:

- Expenditure shall not be incurred where it represents a departure from the policy of the Authority or where it is not wholly in accordance with the Authority's approved Budget unless such expenditure is considered a matter of urgency. In these cases:
  - The Finance Director must be consulted before incurring such expenditure.
  - The Constitution must be complied with, in particular the urgency provisions set out in Part 5A of the Constitution.
- Where any consents are required from a Government Department or other relevant body, these shall be obtained before any expenditure or commitment is incurred.
- Appropriate controls must be in place that ensure the integrity of expenditure incurred in the name of the Authority and constrains the expenditure to within the legal powers of the Authority.
- Suppliers providing services to the Authority must have the necessary HMRC certification enabling them to be paid through the Authority's payments system.

Contractors failing to comply with the conditions or to provide evidence of the necessary certification should be set up as temporary employees of the Authority and paid through the payroll.

Additionally the Head of Paid Service is responsible for ensuring that purchase to payment arrangements comply with:

- These Regulations.
- The Authority's Constitution and Standing Orders.
- The Authority's Contracts Procedure Rules.
- HMRC requirements for checking employment status of individuals or groups of workers.
- Corporate financial policies and standards.
- EU and domestic law.
- Health and Safety Regulations.
- Environmental Policy.

9.1.3. <u>Officers with delegated authority</u>

Officers with delegated authority for incurring expenditure on behalf of the Authority must ensure that:

- The Authority is obtaining value for money and that all expenditure complies with the Authority's Contracts Procedure Rules.
- They comply with the Authority's Contracts Procedure Rules and all relevant procurement processes. This compliance must be documented and the evidence retained.
- Corporate Contract providers are used wherever possible. Where this is not possible or appropriate, advice must be sought from the Finance & Commercial Services team on choosing an alternative supplier to ensure compliance with the Authority's Contracts Procedure Rules.
- Any relationships with existing or potential Authority contractors are declared prior to the obtaining of quotations or the awarding of contracts, in accordance with relevant Codes of Conduct.

9.1.4. <u>All officers involved in the ordering and purchasing processes</u>

These Officers must:

- Refer to the Authority's Contracts Procedure Rules for details of procurement procedures to be followed, with special attention to the need to use Corporate Contract providers wherever possible.
- Formally declare any relationships with existing or potential Authority contractors prior to the obtaining of quotations or the awarding of contracts.
- Withdraw from any P2P process when either they themselves or a member of their family or one of their close associates are involved directly or indirectly with the transaction.

Note: Officers' attention is drawn to the provisions of Section 117, Local Government Act 1972, under which certain failures by an Officer to declare an interest in a contract with the Authority may be punishable as a criminal offence.

9.2. Ordering of goods and services

9.2.1. Purchase Orders

Wherever possible a purchase order is required for all purchases of goods and services, and one must be processed before requesting the supply.

Different Purchase Order types are in place to meet expenditure requirements including those that are not for the supply of goods or services. They must fully detail the goods and services to be supplied and the budget from which the expenditure is to be met. Final costs or an estimate of the costs of the goods or services ordered (net of VAT) should also be provided.

Orders and procurement card purchases must only be raised for goods and services provided to the Authority or on official Authority business. Individuals must not raise official orders or make purchases using a procurement card for their own private use.

Variations must only be actioned through properly authorised amendments to orders. Issued orders must not be amended verbally with the supplier.

9.2.2. Procurement Cards

Where it is not practicable to raise a purchase order, e.g. when travelling on Authority business, then orders for approved goods and services may be made and paid for using a procurement card.

The use of procurement cards is intended to complement, rather than replace the purchase order procedure, and should only be used in exceptional circumstances, when the use of a purchase order is not feasible.

All purchases made and general use of the card are subject to Contracts Procedure Rules and the Procurement Card Policy.

The Finance Director must approve all Officer applications for procurement cards. S/he may withdraw his/her approval for the Officer to use the card at his/her discretion.

For each card, monthly credit and individual transaction limits will be determined by the Finance Director on approval of the application. Requests for alterations to the limits will be considered where a valid business case exists at his/her discretion.

The Finance Director shall ensure that a register of all procurement cards issued is kept containing employee details, credit and transaction limits and date of issue.

The Head of Paid Service must inform the Finance Director, in order that action may be taken to cancel stolen or lost cards or those issued to employees who have resigned from the Authority.

9.2.3. Verbal Orders

Verbal orders, when not related to a purchase using a procurement card, must not be used in normal Authority operations and should take place only in wholly exceptional circumstances. Any verbal orders must be followed immediately by the issue of a fully authorised order, Officers making verbal orders can expect to be asked to support their decision by the Finance Director and the Head of Paid Service.

9.3. Authorisation of expenditure

9.3.1. Purchase Orders

Before authorising an order, Approvers must ensure that the proper approval for the spending has been obtained in line with the Authority's decision making framework and Contracts Procedure Rules.

Authorisation in accordance with the requirements set out below is not a substitute for formal approval as required by the Constitution, the Authority's Standing Orders and Contracts Procedure Rules and Procurement Policy.

Before authorising an order, managers, who must have written authority from the Finance Director to do so, should be satisfied that:

- The order represents legitimate liabilities of the Authority.
- The required checks have been evidenced.
- Sufficient budgetary provision exists to cover the payment.
- The expenditure is correctly coded.
- All necessary documentation is attached.

9.3.2. Authorisation to pay Utility Bills

These will be authorised in line with the procedures as approved by the Finance Director and the limits as detailed in the Authorisation Matrix below.

9.3.3. Authorisation of Recurring, Multiple, One-Off and Foreign Payments

These will be authorised in line with the procedures as approved by the Finance Director and the limits as detailed in the Authorisation Matrix below.

9.3.4. Authorisation Matrix

The list of Officers authorised to approve Purchase Orders will comply with this section of the Regulations and will be held in the Authority's Finance System or other systems as approved by the Finance Director.

For the avoidance of doubt, this does not constitute authority to award contracts; it clarifies who can approve expenditure under a commitment already authorized.

All purchase orders must be approved in line with the Authority's authorisation matrix as shown below.

Order Amount	Authorisation Level
£0 - £2,499	Business Unit Manager
£2,500 - £24,999	Heads of Service
£25,000 - £249,999	Directors or those with a direct reporting line to the Head of Paid Service
£250,000 and over	Head of Paid Service/ Finance Director or their delegates

The values in this matrix are set at levels deemed necessary by the Finance Director for the proper control of expenditure.

Where, if after such consultation as he/she deems to be appropriate, the Finance Director considers that the values should be revised in order to maintain that control, he/she may change them at any time.

For the avoidance of doubt, this matrix will apply to all orders including orders connected to the spending of Grant funding, contract payments and partnership arrangements where the Authority's finance system is used to make a payment.

The existence of approval for payment of a grant or awarding a contract does not over-ride the authorisation matrix.

This matrix will also apply to the authorisation of payments detailed above which do not require a Purchase Order.

9.4. Delivery of Goods and Services

Deliveries of goods and services should be to a business address and checked to ensure that they are in accordance with the official order, taking account of, as a minimum:

- Cost
- Quantity
- Quality
- Fitness for purpose

Delivery notes must be retained for verification purposes in accordance with the Financial Documents Retention Schedule appended to these Regulations.

After the goods or services have been received to the Authority's satisfaction, the person raising the purchase order or other authorised Officer must raise a goods received note on the Authority's finance system.

As soon as the purchase invoice is submitted with the required information (e.g. a valid purchase order) to the correct address, the automatic matching process will clear the invoice for payment in accordance with the payment timescales recorded on the Authority's finance system.

9.5. Payments to suppliers

9.5.1. Supplier invoices

Suppliers may provide an electronic invoice through the Authority's procurement system.

Paper invoices should be sent to the address stipulated on the related purchase order. Failure to adhere to this rule may result in delays to the payment process.

Any paper invoices will be scanned and attached to the invoice records within the Finance System.

9.5.2. Payments

No payment will be made unless supported by an appropriately authorised Purchase Order. Exceptions to this are payments relating to the use of Procurement Card, Recurring, Multiple, One-Off and Foreign Payments as described above.

Supplier Invoices will go direct to the outsourced provider of the Accounts Payable service where it will be scanned and attached to the invoice records in Integra.

Once the invoice is matched to the appropriate purchase order this will clear the invoice for payment in accordance with the payment timescales recorded on the Authority's finance system.

Where the details contained on the invoice do not allow the purchase order to be matched, the order raiser should request a credit note from the supplier to resolve the mismatch.

9.5.3. Standard payment terms

The Authority's standard payment terms are 30 calendar days from the date that a valid invoice is received by the Authority. Any variation, which would result in the supplier being paid in less than 30 days, must be agreed by the Finance Director.

Where a supplier makes a request for payment in advance, advice must be sought from the Finance Director.

10. Payroll, Expenses and Petty Cash Floats

10.1. Roles and responsibilities

10.1.1. Head of Paid Service

The Head of Paid Service is responsible for ensuring:

- That payroll information is correct and is provided within the agreed timetables for the running of the payroll.
- That all amendments to the payroll, e.g. Post and Establishment changes, individual contract changes etc., are notified in line with the relevant Human Resources procedures.
- That all payments to employees are:
  - Made through the payroll.
  - That they are made only to official employees.
  - In accordance with individual contracts of employment.
  - That all necessary information is supplied so that deductions including PAYE and Superannuation are properly administered.
- The approval and control of arrangements for the payment of all salaries, wages, pensions, expenses and any other payments to all employees and former employees of the Authority.
- That when payroll costs are checked this is done so by officers not responsible for amendments to the payroll.
- Determining any petty cash requirements subject to approval by the Finance Director or one of his/her authorised officers. This amount should represent a balance between the need for ready access to cash to enable the Authority to function effectively, the risk of holding cash on the premises and the security arrangements required.
- That procedures are in place to formally assign responsibility for all floats and that the officer is properly trained in the administration of the float.

10.1.2. Finance Director

The Finance Director is responsible for:

- Approving the arrangements for payment of all salaries, wages, pensions, expenses and allowances as defined in the relevant Human Resources procedures.
- Formulating and approving procedures related to Payments to Individuals and the Administration of Petty Cash Floats.
- Approving changes to the accounting and taxation elements of the payroll system.

10.2. Payroll

The payment of all salaries, wages, pensions, expenses and any other payments to all employees and former employees of the Authority must only be made under arrangements approved and controlled by the Head of Paid Service and approved by the Finance Director.

Amendments to the payroll, e.g. for absences and variations to pay, shall be limited to those Officers authorised to do so, as per the Authority's decision making framework.

Payment of fees to individuals who are not Authority employees must be made through the Purchase to Payment system and in accordance with the requirements of HM Revenue and Customs and the relevant procedures as laid down by the Finance Director and the Head of Paid Service.

Payment and personnel records must be held securely.

10.3. Expenses

Members and officers will only be entitled to travel, subsistence and incidental expenses where these are incurred legitimately in performing duties on behalf of the Authority in line with the agreed policy and rates. Claims should be made in line with relevant Authority policies including the requirement to provide receipts to the provider of the Payroll Service. All such payments will be made through the payroll system.

Payments of expenses to individuals who are not Authority employees must be made through the Purchase to Payment system in accordance with the procedures as laid down by the Finance Director.

Expenses incurred by agency staff should be included in the Agency charge and paid through the Purchase to Payment system.

10.4. Petty Cash floats

10.4.1. Payments from a float and re-imbursements

The use of monies from petty cash floats must be limited to non-payroll related expenditure for which there is proper authority and provision in the budget but which do not justify an order being raised through the Purchase to Payment system. The Finance Director will determine the maximum amount to be held as a petty cash float.

Petty cash should not be used for the payment of regular suppliers other than in exceptional circumstances, when prior approval must be obtained from the Head of Paid Service.

Wherever possible purchases should be made in advance and, if applicable, VAT receipts provided before the petty cash is issued. At the manager's discretion employee related expenses may be paid from a petty cash float where an employee has been requested to travel to meet a service need and has no way of funding this. The Finance Director will determine the maximum amount that may be disbursed in this way.

Personal or third party cheques must not be cashed or money borrowed from petty cash floats. Private monies are not to be used to supplement the floats.

Cash income from other sources must not be used to reimburse petty cash unless specific arrangements are in place.

10.4.2. Responsibilities of the float holder

Officers who have been assigned responsibility of a float must ensure that they follow the procedures related to the administration of petty cash floats as laid down by the Finance Director.

10.4.3. Personal credit card transactions

The use of personal credit cards by officers for petty cash transactions shall be limited to exceptional circumstances where petty cash would be appropriate but is not available.

11. Bank accounts and credit cards

11.1. Bank Accounts

Bank accounts in the name of the Authority may only be opened and / or closed with the authority of the Finance Director. The Finance Director is responsible for all negotiations of banking terms with the Authority's Bankers.

All stand-alone systems which actually create payments and do not interface with the financial ledgers must have a separate bank account and consequent local reconciliation responsibilities. These are the Payroll interfaces, and systems which create BACS files or print cheques.

11.2. Reconciliations

Bank reconciliations should be completed on at least a monthly basis by an officer who is not responsible for the processing of payment and receipt transactions through the bank accounts. The Finance Director is responsible for ensuring that reconciliations, together with supporting documentation, are reviewed and appropriately certified.

11.3. Banking transactions

The Finance Director is responsible for maintaining an authorised signature list for Banking Transactions. The authorised signatories will be determined and approved by the Finance Director in consultation with the Head of Paid Service. Authorised Signatories will normally be senior Officers who report directly to the Finance Director.

11.4. Credit cards etc

Credit cards, charge cards and other payment methods held in the Authority's name may only be opened, closed and managed by the Finance Director.

11.5. Reconciliations

Reconciliations of credit card etc. accounts should be completed on at least a monthly basis by an officer who is not responsible for the processing of payment and receipt transactions through the bank accounts. The Finance Director will ensure that reconciliations, together with supporting documentation, are reviewed and appropriately certified.

11.6. Banking arrangements

The Finance Director will maintain an authorised signature list for Banking Transactions. The authorised signatories will be determined and approved by the Finance Director, in consultation with the Head of Paid Service.

12. Taxation

12.1. Roles and Responsibilities

12.1.1. <u>The Head of Paid Service</u>

The Head of Paid Service is responsible for ensuring that the VAT element of any transaction is considered with the objective of maximising VAT recovery where this is consistent with effective delivery of the service and minimising the level of irrecoverable VAT being incurred by the Authority. In practice this means that the Head of Paid Service is responsible for:

- Ensuring that VAT is properly accounted for on all transactions entered into by the Authority.
- Keeping VAT records, with a proper allocation of costs to exempt and other activities.
- Complying with all VAT legislation and regulations applicable to the delivery of service.
- Monitoring and planning for any changes in VAT legislation or regulations which affect the activity of the Authority.

The Head of Paid Service must also advise the Finance Director of any capital projects which are under consideration which contain the risk of irrecoverable VAT being incurred by the Authority, whether by way of exempt input tax or otherwise.

In circumstances where an individual, rather than a company, is engaged to provide a service to the Authority, the Head of Paid Service is responsible for ensuring that all HM Revenue and Customs regulations relating to that engagement are adhered to.

12.1.2. Finance Director

The Finance Director is responsible for ensuring that:

- Appropriate taxation advice is available to the Head of Paid Service to ensure compliance with relevant legislation.
- Where the tax implications of a project are of sufficient complexity to warrant additional support then appropriate external advice will be sought. In these circumstances the Finance Director will rely on the wording of CIPFA’s Statement of Professional Practice to determine when appropriate help, advice and guidance are required.
- An appropriately skilled resource is available to the Authority to enable it to discharge its VAT responsibilities.

The Finance Director is also responsible for the preparation and submission of VAT Returns to H.M. Revenue and Customs. Such Returns are to be submitted at times which maximise the cash flow benefit to the Authority, but in any event not later than the deadlines agreed with H.M. Revenue and Customs.

13. Stores, Stock, Equipment and Security

The Head of Paid Service is responsible for the care, custody and recording of stocks and equipment. This will include the following:

- Controlling access to stores etc. and ensuring that stocks and assets are only used on Authority business.
- Ensuring that arrangements are sufficient to ensure that additions to, as well as issues from, stock are controlled and accurately entered on the appropriate records.
- Maintaining a record of stock in hand of each item held to be physically checked at a frequency determined by the Head of Paid Service which reflects such factors as stock values, usage etc.
- Maintaining a register of assets removed from Authority premises. This includes but is not limited to assets such as laptops, mobile phones, BlackBerries and RAS cards issued to officers.

- Maintaining an inventory of all assets over £100 in value, together with all attractive and portable items below this figure. The inventory should detail make, model, serial number and purchase value. Items should be recorded promptly in the inventory, at the point of purchase. The inventory should, as a minimum, be checked on an annual basis by physical verification of assets by an officer not involved in its compilation. A list of missing items should be provided to the Authority, who will decide on the action to be taken.
- Disposal of surplus or obsolete Authority equipment up to the value of £10,000. Where the value of the items for disposal exceeds this value s/he must request approval from the Authority. Following disposal the relevant Inventory Records should be amended accordingly.
- Providing the Finance Director with a certificate of the stock and value held at the end of each financial year as well as such information as is required in relation to stores for the accounting, costing and financial records.

Assets shall not be removed from the Authority's premises, unless on official Authority business and should not be used other than for official Authority purposes or in line with arrangements sanctioned by the Head of Paid Service.

All information assets such as non-public paper records, IT equipment used to access information and the computer network, must be identified, recorded and have an appointed asset owner and be appropriately protected at all times.

Some external funding regimes require specific arrangements for recording the equipment that is purchased and used to deliver the objectives of the funding. The Head of Paid Service is responsible for ensuring that all requirements are met in this respect.

14. Retention of Records

14.1. Roles and responsibilities

14.1.1. <u>The Head of Paid Service</u>

The Head of Paid Service is responsible for ensuring that all records, both electronic and paper based, are retained for a period that satisfies the requirements of H. M. Revenue and Customs, the Authority's External Auditors and any other appropriate Body. The Financial Records Retention Schedule, appended to these Regulations, provides guidance on appropriate retention schedules.

For any service specific records, the Head of Paid Service is responsible for determining the retention periods with the appropriate external bodies.

Where activities, decisions or transactions are being carried out on behalf of the Authority, such as in a partnership agreement, the Head of Paid Service is responsible for ensuring that appropriate records management contractual terms are in place.

14.1.2. <u>Finance Director</u>

The Finance Director is responsible for producing and maintaining a schedule on the retention periods covering financial records in accordance with current best practice. The Financial Records Retention Schedule is appended to these Regulations.

14.2. Records for external funding

As per Section 7 of these Regulations, all evidence required by external funding bodies must be collected and retained in line with the conditions / criteria as outlined in the funding agreement.

Where the retention period in the agreement exceeds the one prescribed in the Financial Records Retention Schedule, the funder's requirements will take precedence.

Documents pertaining to ERDF supported projects must be retained until at least 3 years after the UK receives its final payment to the programme from the EC.

Where the retention periods required by the funder are less than those specified in the Financial Records: Recommended Retention Schedule, the latter should be followed.

15. Financial Systems

The Authority's finance system is currently Integra and this system will be the prime source of accounting and financial information, until such a time as the Finance Director identifies a system more suited to the needs of the Authority.

15.1. Roles and responsibilities

15.1.1. <u>Finance Director</u>

The Finance Director is responsible for:

- The Authority's accounting system from which the Authority's audited Accounts are produced.
- Controlling access to the Authority's systems and information.
- Ensuring both the accuracy and security of the data.
- Ensuring that the financial controls of systems interfacing with the corporate accounting system are robust and in line with the Authority's information governance policies.

15.1.2. <u>The Head of Paid Service</u>

The Head of Paid Service is responsible for:

- Reconciling relevant feeder systems back to the information reported in the corporate accounting system.
- Controlling the access to systems and information, and for ensuring both the accuracy and security of the data.
- Ensuring that the data held on the Authority's systems, whether held as hard copy or in electronic format, is in accordance with EU or domestic data protection legislation.
- Ensuring that the Finance Director is consulted prior to the purchase and implementation of any new computerised financial systems.

16. Accounting

To discharge the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015 including the requirement under Regulation 8(2) to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the Authority at the end of the year to which it relates and of the Authority's income and expenditure for that year.

To discharge the functions of the Authority under the Accounts and Audit (England) Regulations 2015 *(with the exception of regulations 4(3), 6(4) and 8(3)).*

The Finance Director is responsible for the form and content of the Authority's Accounts and for producing the Authority's Accounts for scrutiny by the Audit & Risk Committee and for approval by the Authority.

The Accounts must present a true and fair view of the financial position and transactions in respect of that financial year and be prepared in accordance with statutory requirements and all applicable professional Codes of Practice.

The Accounts will be prepared on an accruals basis.

The Accounts will be prepared on a prudent basis with income only included if it is likely to be received. Proper allowance should be made for known liabilities and losses.

16.1. Accounting during the Financial Year

All Accounts and Accounting Systems must be properly maintained throughout the year to provide timely and accurate information.

All financial transactions must be properly accounted for and adequately supported and referenced back to original documents and working papers which initiated the transaction.

Holding and Suspense Accounts must be reconciled at least monthly. Reconciliations must be produced and authorised by Officers not directly responsible for the transactions in the accounts. Control accounts, e.g. debtors and Bank Accounts, must be reconciled on a monthly basis.

Access to accounting information will be controlled by the Finance Director.

16.2. Year-end Requirements

At the end of each financial year the Finance Director will produce a timetable and notes of guidance for the production of Final Accounts.

All balances on Control Accounts, e.g. Debtor Control, must be justified. Balances may only be carried forward into the next year if there is a reasonable prospect that they will be cleared.

The Accounts for the year should be "closed" at the end of business on 31 March and all income received and payments made to that date must be accounted for. The Officers responsible must certify sums held, i.e. not banked, at the close of business on 31 March.

Accruals must be supported by evidence and the Finance Director will require copies of evidence for material accruals. The process and amounts will be specified in the year-end guidance issued by the Finance Director.

The Officers responsible for cash floats and other cash accounts must balance and certify the amount of cash held at the close of business on 31 March.

Officers responsible for stocktaking must certify the value of stock / stores at close of business on 31 March.

Expenditure and income due for the year, but not paid or received by 31 March must be accounted for. The Officers responsible must certify the transactions concerned.

Appropriate working papers, records and prime documentation must be maintained in support of the above requirements. These will be used to substantiate the Accounts and provide a clear Audit trail.

17. Internal Audit

The Authority's Finance Director is responsible for ensuring a continuous internal audit of the Authority's internal control, risk and governance arrangements including the financial records and operations.

The Head of Internal Audit (or his authorised representative) shall:

- Be given access to all Authority buildings or land.
- Have access to all records, documentation and correspondence, including that held on computers.
- Require information or explanation of any Authority employee.
- Require any Authority employee to account for or produce cash, stores or other assets under their control.

The Head of Internal Audit will present the Internal Audit Charter and Strategy for consideration by the Authority's Audit & Risk Committee annually. These documents will set out the terms of reference for the Internal Audit function.

An Annual Audit plan will be prepared by the Head of Internal Audit and approved by the Audit & Risk Committee and the Authority's Finance Director. This Plan is designed to provide assurances to the Authority regarding the arrangements in place to manage the most significant risks faced by the Authority.

As part of the audit planning process, and in line with the requirements of the Authority's Risk Management Framework, the Head of Paid Service is responsible for managing risk and for informing Internal Audit of the risks that are prevalent in his/her area. The Head of Paid Service is also responsible for agreeing and implementing relevant Audit recommendations.

The Head of Internal Audit will report to each Audit & Risk Committee on the delivery of the Internal Audit Plan, the implementation of recommendations by management, any material changes to planned coverage, significant control issues and on the operational performance of the Internal Audit function.

17.1. Reporting potential or actual theft, fraud, corruption or irregularity

The Head of Paid Service is responsible for ensuring that adequate processes are in place for ensuring that the Finance Director is immediately notified of any circumstances:

- Indicating the possibility, or actual identification, of any irregularity relating to cash, funds, stores, assets, information or other property of the Authority.
- Regarding the conduct of employees, acting for or on behalf of the Authority, or Members of the Authority.

The reporting of such matters to the Authority's Internal Audit Service shall be considered adequate for discharging this responsibility.

The Authority's Code of Conduct for Employees and Whistleblowing Policy, which are contained in Part 6 of the Authority's Constitution require any Authority officer, who becomes aware of potential theft, fraud or corruption, to bring any concerns to the attention of the appropriate manager.

All employees of the Authority are required to conduct themselves and carry out their duties in line with the requirements of the Code of Conduct and to comply with all Authority agreed policies and procedures.

18. Companies, Trusts and other bodies etc.

Where there is an Authority representative on the Board of companies, trusts and other bodies, the Head of Paid Service is responsible for agreeing constitutional arrangements for such Companies, Trusts and other Bodies and giving any necessary consents required within relevant constitutions.

Where the Authority has a controlling interest in Companies, Trusts and other Bodies, or is the Lead Authority, then these organisations will be required to use the Authority's finance system and to follow these regulations.

18.1. Partnership agreements and joint ventures

Where the Authority is involved as a minority interest in partnership arrangements or Joint Committees that use their own finance systems, the arrangement must include an agreement on appropriate, robust financial governance control arrangements to the satisfaction of the Finance Director. In these circumstances the controls in these Regulations will be used as a starting point for that agreement.

No agreement shall be entered into with a Partnership which commits the Authority to additional expenditure or other financial risk without approval as set out in the arrangements contained in other sections of these Regulations. The Head of Paid Service in conjunction with the Finance Director will report at least annually to the Authority on the financial affairs of the partnership body.

19. Grant (Gift) arrangements

19.1. Roles and Responsibilities

19.1.1. <u>Finance Director</u>

The Finance Director is responsible for ensuring there are proper processes and procedures in place for the commissioning and procurement of goods and / or services, and for the making of grant aid or 'investing' agreements.

19.1.2. <u>The Authority</u>

The Authority, or the Officer to whom the Authority may, from time to time, delegate the responsibility, is responsible for ensuring that:

- Any funds that are established from which to make individual grants are properly approved in accordance with these regulations and all other relevant documentation.
- All grant payments to voluntary organisations or other recipients of grant aid are properly approved in accordance with these Regulations and all other relevant documentation.
- Where a grant payment is withdrawn or reclaimed, this is agreed in accordance with these Regulations and all other relevant documentation.
- The external relationship with any recipient of grant aid is managed in accordance with appropriate legal opinion.
- Any Grant / Gift arrangements are made in line with the processes and procedures as specified by the Finance Director.

20. Supply Agreements.

A Supply Agreement means a contractually binding agreement under which the Authority agrees to provide works, services or supplies to a third party in return for payment, in money or in-kind, otherwise than in fulfilment of a statutory duty, but does not include an agreement under which the Authority receives grant aid.

The decision to enter into a proposed Supply Agreement or to agree the variation is reserved to the Authority, or the Officer to whom the Authority may, from time to time delegate responsibility.

A. Financial Records: Recommended Retention Schedule

(Note that all figures used relate to years, e.g. Current + 6 is Current Year's records plus the previous 6 years documents)

A.1. Accountancy/Financial

General example of type of Record	Recommended Retention	Action after retention
Abstract of accounts	Current + 6	Destroy as confidential records
Annual Budget	Current + 6	Destroy as confidential records
Annual statements	Current + 6	Destroy as confidential records
Budgetary control records	Current + 6	Destroy as confidential records
Costing records	Current + 6	Destroy as confidential records
Estimate working papers	Current + 2	Destroy as confidential records
Financial ledgers	Current + 6	Destroy as confidential records
Grant claim records	Current + 6	Destroy as confidential records
Investment records	Current + 2	Destroy as confidential records
Journals	Current + 6	Destroy as confidential records
Leasing Records	Current + 2	Destroy as confidential records
Record re closing ledgers	Current + 6	Destroy as confidential records
School Fund records	Current + 6	Destroy as confidential records
Telephone call records	Current + 2	Destroy as confidential records
VAT claims	Current + 6	Destroy as confidential records
VAT records	Current + 3	Destroy as confidential records
Voluntary fund accounts	Current + 6	Destroy as confidential records

A.2. Bank related records

Type of Record	Recommended Retention	Action after retention
Bank pay-in books/slips	Current + 6	Destroy as confidential records
Bank reconciliation	Current + 6	Destroy as confidential records
Bank statements	Current + 6	Destroy as confidential records
Cancelled cheques	Current + 2	Destroy as confidential records
Cheque books and counterfoils	Current + 6	Destroy as confidential records
Cheque lists (creditors/payrolls)	Current + 2	Destroy as confidential records
Loan records and correspondence	Current + 2	Destroy as confidential records

Paid cheques	Current + 4	Destroy as confidential records
Returned cheque records	Current + 2	Destroy as confidential records

A.3. Contracts

Type of Record	Recommended Retention	Action after retention
Pre Contract Advice		
The process of calling for expressions of interest	2 years after contract let or not proceeded with	Destroy as confidential records
Specification and Contract Development		
The process involved in the development and specification of a contract	Ordinary Contract: 6 years after the terms of contract have expired. Contracts Under Seal: 12 years after the terms of the contract have expired.	Destroy as confidential records Destroy as confidential records
Tender Issuing and Return		
The process involved in the issuing and return of a tender (Opening Notice)	1 year after start of contract	Destroy as confidential records
Evaluation of Tender		
Successful tender document	Ordinary Contract: 6 years after the terms of contract have expired. Contracts Under Seal: 12 years after the terms of the contract have expired.	Destroy as confidential records Destroy as confidential records
Unsuccessful tender document	1 year after start of contract	Destroy as confidential records

Post Tender Negotiation		
The process in negotiation of a contract after a preferred tender is selected	1 year after the terms of contract have expired	Destroy as confidential records
Awarding of Contract		
The process of awarding contract	Ordinary Contract: 6 years after the terms of contract have expired. Contracts Under Seal: 12 years after the terms of the contract have expired.	Destroy as confidential records Destroy as confidential records
Contract Management		
Contract operation and monitoring	2 years after terms of the contract have expired.	Destroy as confidential records
Management and amendment of contract	Ordinary Contract: 6 years after the terms of contract have expired. Contracts Under Seal: 12 years after the terms of the contract have expired.	Destroy as confidential records Destroy as confidential records

A.4. Creditor records

Type of Record	Recommended Retention	Action after retention
Copy orders	Current + 2	Destroy as confidential records
Credit notes	Current + 6	Destroy as confidential records
Creditor invoices	Current + 6	Destroy as confidential records
Delivery notes	Current + 2	Destroy as confidential records
Imprest documentation (petty cash)	Current + 2	Destroy as confidential records
Period payment records	Current + 6	Destroy as confidential records

A.5. Income records

Type of Record	Recommended Retention	Action after retention
Cash books	Current + 6	Destroy as confidential records
Correspondence (income)	Current + 2	Destroy as confidential records
Debtor accounts (records non-current)	Current + 2	Destroy as confidential records
Income posting slips and tabulations	Current + 2	Destroy as confidential records
Periodic income records	Current + 2	Destroy as confidential records
Receipt books	Current + 2	Destroy as confidential records
Record of receipt books issued	Current + 2	Destroy as confidential records
Registrar's quarterly returns	Current + 2	Destroy as confidential records
Sales records	Current + 2	Destroy as confidential records

A.6. Insurance records

Type of Record	Recommended Retention	Action after retention
Expired insurance contracts	Current & Permanent preservation	Destroy as confidential records
Insurance claim (fire)	Current + 4	Destroy as confidential records
Insurance claim (vehicle)	Current + 4	Destroy as confidential records
Insurance claim (public employer's liability)	Current + 6	Destroy as confidential records
Insurance policy documentation	Current & permanent	Destroy as confidential records
Insurance register	Current & permanent	Destroy as confidential records

A.7. Miscellaneous records

Type of Record	Recommended Retention	Action after retention
Capital works tabulations	Current + 2	Destroy as confidential records
Car leasing and mileage records	Current + 6	Destroy as confidential records
Car Loans	Current + 6	Destroy as confidential records
Computer system documentation	Current + 2	Destroy as confidential records
HMRC docs	Current + 6	Destroy as confidential records
Internal requisitions	Current + 1	Destroy as confidential records
Inventory records	Current + 6	Destroy as confidential records
Land searches	Current + 6	Destroy as confidential records
Member allowance (statutory registers)	Current + 2	Destroy as confidential records
Minutes	Current + 2	Destroy as confidential records
Postal remittance registers	Current + 2	Destroy as confidential records
Road fund licence records	Current + 2	Destroy as confidential records
Small holdings records	Current + 2	Destroy as confidential records
Stock lists	Current + 2	Destroy as confidential records
Travel claims	Current + 6	Destroy as confidential records
Vehicle logs	Current + 2	Destroy as confidential records

A.8. Payroll Records

Type of Record	Recommended Retention	Action after retention
BACS amendments and output	Current + 3	Destroy as confidential records
Copy payslips	Current + 6	Destroy as confidential records
Correspondence	Current + 6	Destroy as confidential records
Payroll adjustment documentation	Current + 6	Destroy as confidential records
Part – time employees' claim forms	Current + 6	Destroy as confidential records
SSP records	Current + 4	Destroy as confidential records
SSP variations	Current + 3	Destroy as confidential records
Staff transfer records	Current + 6	Destroy as confidential records
Starters forms	Current + 2	Destroy as confidential records

Tax and NI records	Current + 6	Destroy as confidential records
Tax code notifications	Current + 2	Destroy as confidential records
Timesheets and Pay Returns	Current + 6	Destroy as confidential records
Union documentation	Current + 2	Destroy as confidential records
Personnel files	Current + 2	Destroy as confidential records
Staff contracts	Current + 6	Destroy as confidential records
Unsuccessful applications	Current + 1	Destroy as confidential records

SHEFFIELD CITY REGION COMBINED AUTHORITY

ANTI-MONEY LAUNDERING POLICY

1.0 INTRODUCTION

1.1 ‘Money Laundering’ is any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder ‘dirty money’ in an attempt to make it look ‘clean’ in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies such as the National Crime Agency (NCA).

1.2 Money Laundering regulations apply to UK financial businesses and legal professionals. This includes: banks, building societies, money transmitters, bureaux de change, cheque cashiers, savings and investment firms, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value dealers and trust or company service providers.

1.3 Most of the Combined Authority’s services do not fall under ‘relevant business’ for the purpose of the legislation. However, a number of activities that it does undertake are relevant; for example, property transactions, financial services provision, etc. Therefore, the practical way to ensure that the Combined Authority complies with all relevant legislation is to have a policy in place that all staff are required to comply with. It is important to note that the reputation of the Combined Authority would be compromised if it did not comply with the spirit of the legislation.

1.4 The policy has been tailored to the specific requirements of Sheffield City Region Combined Authority; however, much of the detail is required to be consistent with the specific requirements of the legislation. The policy complies with the requirements of the revised 2007 Money Laundering Regulations, and is currently being refreshed to ensure that it meets any revised conditions of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

2.0 SCOPE OF THE POLICY

2.1 This policy applies to all employees of the Combined Authority. The policy sets out procedures that must be followed to enable the Combined Authority to comply with its legal obligations.

2.2 This policy should be read in conjunction with the ‘Anti-Money Laundering Guidance Note for Staff’, attached at Annex A.

3.0 ANTI-MONEY LAUNDERING LEGISLATION AND OFFENCES

3.1 Anti-Money Laundering Legislation is contained in the following acts:

- The Proceeds of Crime Act (POCA) (as amended by the Serious Organised Crime and Police Act 2005 (SOCPA)).
- The Money Laundering Regulations 2007 (2007 Regulations).
- The Terrorism Act 2000 (TA 2000) (as amended by the Anti-Terrorism, Crime and Security Act 2001(ATCSA 2001) and the Terrorism Act 2006 (TA 2006)).
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

3.2 Under the legislation, the main Money-Laundering offences include:

- Concealing, disguising, converting or transferring criminal property or removing it from the UK (Section 327 of the 2002 Act).
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328); or
- Acquiring, using or processing criminal property (Section 329); or
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (Section 18 of the Terrorist Act 2000).

3.3 The Money Laundering regulations also extend to failing to disclose incidents of Money Laundering or ‘tipping off’ a person or persons who are expected to be involved in Money Laundering.

3.4 The Anti-Money Laundering Guidance Note for Staff at Annex A gives practical examples of Money Laundering that are applicable to Combined Authority services.

4.0 WHAT DOES THE COMBINED AUTHORITY NEED TO DO?

4.1 Under the Money Laundering Regulations 2007, businesses are required to establish appropriate risk sensitive policies and procedures to prevent activities related to Money Laundering and Terrorist Financing. To meet the requirements of these, and previous money laundering regulations, the Combined Authority will need to:

- Appoint a Money Laundering Reporting Officer to receive Money Laundering reports within a structured system for making those reports.
- Put in place ‘Customer Due Diligence’ procedures that are designed to acquire knowledge about the identity of clients and prospective clients and undertake ongoing monitoring of this.
- Implement sufficient record keeping procedures.

- Ensure that there are internal controls in place.
- Ensure that there are risk assessments in place and arrangements to manage these.
- Ensure that there is a system in place that monitors and manages compliance with this policy.
- Ensure that this policy and procedures are fully communicated to staff and all staff receive appropriate training.

4.2 This policy details how the Combined Authority will implement the measures above.

5.0 THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

5.1 The Officer nominated to receive disclosures about Money Laundering activity within the Combined Authority is the Deputy Section 73 Officer, Mike Thomas. He can be contacted as follows:

Mike Thomas
SCR CA Finance
1st Floor
11 Broad Street West
Sheffield
S1 2 BQ

Telephone: 01142 734358
Email: mike.thomas@sheffieldcityregion.org.uk

5.2 In his absence, Simon Tompkins, the SCR CA Finance Manager, is the appropriate officer to deputise for him. He can be contacted at the address above, by email (simon.tompkins@sheffieldcityregion.org.uk) or on telephone number 0114 2203437.

6.0 DISCLOSURE PROCEDURE

6.1 Under the Proceeds of Crime Act (Section 330-332) failing to report knowledge or suspicion of money laundering is a criminal offence. Any employee who suspects money laundering activity must report their suspicion promptly to the MLRO, either by discussing the suspicion or using the appropriate money laundering form attached at Annex C. The MLRO is responsible for assessing these reports, making further enquiries and reporting where necessary, to the NCA (National Crime Agency). **At all times it is important to note that if you have a suspicion of money laundering activity, this must be reported to the MLRO as soon as possible.**

6.2 The form attached at Annex C should be used to report money laundering activity and requests details of the people involved, the information that the knowledge or suspicion is based on and the whereabouts of the 'property' (proceeds). Please note that the staff guidance note at Annex A includes a section on recognising money laundering activity.

6.3 Once the matter has been reported to the MLRO you must follow any directions he may give you. **You must not make any further enquiries into the matter yourself and under no circumstances should you voice your suspicions to the person/s suspected of money laundering activity. You must not discuss the matter with anyone else or make a note on a client file/record that a report has been made to the MLRO. If a client exercises their right to see the file, any note that has been made would tip them off. The MLRO is responsible for retaining all appropriate records in a confidential manner.**

6.4 The MLRO will promptly evaluate the internal report to evaluate if the activity should be reported to the NCA. The roles and responsibilities of the MLRO are covered in the attached guidance – 'Roles and Responsibilities of the MLRO', attached at Annex B.

7.0 CLIENT IDENTIFICATION PROCEDURES (CUSTOMER DUE DILLIGENCE)

7.1 Under Money Laundering Regulations, businesses should undertake a risk based approach to 'customer due diligence'. Risks must be assessed before the appropriate level of due diligence can be applied.

7.2 The following information provides details of when it is appropriate to carry out identification procedures. This has been compiled specifically for Sheffield City Region Combined Authority activity.

EVERYDAY TRANSACTIONS

7.3 The majority of payments that Sheffield City Region Combined Authority receives are normal payments for Combined Authority services and activity. This includes payments to the Combined Authority for partner authority subscriptions and retained business rates, debtor payments, intercompany payments for recharges to its subsidiary the South Yorkshire Passenger Transport Executive (SYPTE) etc. The key thing to note with everyday transactions is that unless there is a specific reason to be suspicious, no additional identification verification needs to take place. However, there are exceptions when further identification procedures would need to be introduced. These include:

- **When an individual makes a payment in cash of £1,000 or more or;**
- **When an individual makes a series of lump sum linked transactions in cash over a short period of time that total £2,500 or more or;**

- **Where the payment will lead to a significant overpayment.**

Important note: In line with the Combined Authority's Financial Regulations, no payment over £2,500 in cash should be accepted by the Combined Authority's employees or its agents without express written permission from the Finance Director.

7.4 In these instances, evidence should be obtained of the individual's name and address. This could be via checking a driving licence or a bank statement/credit card statement/letter headed bill that confirms the name and address of the individual. The officer should make a record of the check undertaken.

7.5 Making a refund of £1,000 or more to an individual would also necessitate a check. In this instance, the officer should validate the individual's name and address as detailed above (driving licence or statement/bill) – verifying that the individual is a resident at the address provided. Again, the officer should retain evidence of the check undertaken.

7.6 It is very important that officers use their experience to judge situations appropriately. If an action arouses suspicion because it is so unusual or different from the norm, then it may need to be investigated further. For example, if a significant Combined Authority debtor overpayment was made for no specific reason, further investigations would be required. As noted, this relies on staff using their common sense and experience in each individual case.

<u>AREAS IDENTIFIED AS 'HIGH RISK' OR AREAS UNDERTAKING 'RELEVANT' BUSINESS</u>

7.7 If you work in an area of the Combined Authority that has been identified as 'high risk' to potential money laundering activity or if you undertake 'relevant business' (see 1.3 above), you will need to validate the identity of the individual/s you do business with if you:

- Form an ongoing business relationship with a client.
- Undertake a one-off transaction involving payment by or to the client of £1,000 or more.
- Undertake a series of linked one-off transactions involving total payment by or to the client of £2,500 or more.

7.8 The Combined Authority requires that you obtain photo-identification in these instances. This could include a passport or a photo card driving licence. Evidence should be retained of the identification checked.

Important note: In line with the Combined Authority's Financial Regulations, no payment over £2,500 in cash should be accepted by the Combined Authority's employees or its agents without express written permission from the Finance Director.

7.9 Combined Authority officers must retain the documentary evidence to support the client identification procedures undertaken. This evidence should be retained for a minimum of five years.

7.10 Further information on client identification is included within the staff guidance note attached at Annex A.

8.0 RECORD KEEPING PROCEDURES

8.1 All client identification evidence and details of the relevant transactions must be retained for a minimum of five years. The records need to be maintained in a format where they can be easily recovered by the client department. Management should ensure that these records are maintained and regularly compliance check the information that is being collated.

9.0 RISK ASSESSMENT AND CONTROL

9.1 Under the 2007 Legislation, all relevant businesses are required to have policies and procedures in place to safeguard against money laundering activity in relation to the level of risk that they face. Essentially, the Combined Authority needs to assess the risks of money laundering activity across the organisation and implement controls in these areas to reduce the risk of such activity taking place. As noted in the introduction, much of the Combined Authority's business is not 'relevant business' but to prevent confusion, this policy should be applied across the Combined Authority. It is important that the controls already documented in this policy – verifying customer's identities, monitoring activity and reporting to the NCA, keeping the right records and ensuring there are appropriate management controls in place are diligently applied in high risk areas and training and guidance will differ in these areas. This is covered more fully in the guidance note to staff. It is important that management continually assess the risks to the organisation of money laundering activity. If you are aware of changes that may increase the risk of money laundering activity in your service area, you should report this to the MLRO as soon as possible.

9.2 As a wholly owned subsidiary of the Combined Authority, SYPTE will be required to comply with the requirements of the policy.

10.0 THE COMBINED AUTHORITY AND ITS EXTERNAL RELATIONSHIPS

10.1 Since its inception in 2014, Sheffield City Region Combined Authority has become involved in increasingly complex external relationships to deliver its services. As a consequence, it is important that if a 'partner' is engaged in delivering a service that may be subject to money laundering activity, they have the necessary safeguards in place to mitigate the risks associated with this. When contracts are agreed and working relationships established, officers should be clear about what controls are in place to mitigate the risks of money laundering activity and be confident that these transferred risks are being effectively managed. Equally, it is important that the Combined Authority always knows who it is doing business with and that measures are taken to mitigate any unnecessary risks that could affect the Combined Authority in terms of both finance and reputation in the future.

10.2 Where the Combined Authority is involved with external organisations undertaking transactions on behalf of the Combined Authority, it is a requirement that they follow this policy and that all reporting is undertaken through the Combined Authority's Money Laundering Officer.

11.0 MONITORING AND COMPLIANCE

11.1 It is important that management monitor compliance with this policy. It is only by ensuring that the controls are in place, that management can assure themselves that the risk of money laundering activity is being mitigated. Further details of monitoring and compliance are included within the briefing note for the MLRO at Annex B. This will need to be developed and reviewed when the value of activity can be ascertained.

12.0 INTERNAL COMMUNICATION AND TRAINING

12.1 This policy alone will not reduce the risk of money laundering activity across the Combined Authority. The risk of money laundering and the controls in place to prevent this must be communicated to all staff and particularly to those undertaking 'relevant' business if the Combined Authority is to reduce the risk.

12.2 It is important that management assess the risk of money laundering activity within their service area and communicate the risks and the controls to mitigate this risk in the most appropriate manner. This may include briefing sessions on a regular basis or simply inclusion in the induction process if the service area is deemed at low risk of money laundering activity.

12.3 All staff should have access to this policy and to the relevant guidance notes attached.

12.4 Training should be tailored to meet the demands of the section or service area. Not all staff across the Combined Authority will need training in this area. Training should be applied on a risk-based approach. Management will be responsible for delivering guidance and training as part of the Combined Authority's appraisal process.

12.5 Communication and training is covered in the guidance notes attached.

13.0 CONCLUSION

13.1 A sensible approach is needed when dealing with potential money laundering activity across the Combined Authority. Not all Combined Authority services will be classed as ‘relevant’ business, but it is important that all staff are aware of the risks and the controls in place to mitigate the risks. Training will need to be focused on officers who work with the most high risk areas and communication and training should take place on an ongoing basis. It is vital that management monitor compliance with this policy and communicate any concerns to the MLRO as appropriate.

1st March 2018

Version Control

Version No	Date	Author	Reasons for any amendment
v1	March 2018	Mike Thomas	

Annex A

SHEFFIELD CITY REGION COMBINED AUTHORITY

ANTI-MONEY LAUNDERING GUIDANCE NOTE FOR STAFF

INTRODUCTION

This document provides practical guidance on implementing Sheffield City Region Combined Authority's Anti-Money Laundering Policy.

For a definition of money laundering and details of money laundering legislation and offences, please refer to the policy.

KEY – A RISK BASED APPROACH

Money laundering legislation does not apply to all Combined Authority business but to avoid confusion, all staff should be aware of the policy and adhere to the requirements. As noted in the policy, the reputation of the Combined Authority would be compromised if it did not comply with the spirit of the legislation.

Under legislation, it is important to apply a risk-based approach to anti-money laundering controls. Therefore, it is important for the Combined Authority to determine the activities it undertakes and which would be the most susceptible to money laundering activity. This is referred to as 'relevant business'.

Relevant business in the Combined Authority would include:

- Accountancy services.
- Audit services.
- Legal services including financial and legal property transactions.
- The formation, operation or management of a company or trust.

There are also other service areas/activities within the Combined Authority that could be susceptible to money laundering activity. These include:

- Central cashiers function.
- Processing of payments to suppliers.
- Banking contracts.
- Combined Authority employees involved in giving financial advice to others.
- Property services.

This is by no means a comprehensive list. Staff should always be open to the possibility of potential money laundering activity even if it doesn't appear to fall in the confines of the categories noted above. However, in line with risk-based principles, if you do fall under one of the categories listed, it is important that you understand the money laundering legislation and follow the policy and guidance notes here.

POSSIBLE EXAMPLES OF MONEY LAUNDERING ACTIVITY WITHIN THE COMBINED AUTHORITY

- Payments of large bills in cash when other bills are paid via BACS.
- Payments of commercial bills such as property rental income by cash when the norm is by BACS.
- Overpayment of bills – this can be to obtain a refund from the Combined Authority which is much easier to pay in to a bank than large amounts of cash.

It should be noted that these are possible indicators and are not absolute proof of money laundering activity.

HOW DO YOU RECOGNISE MONEY LAUNDERING ACTIVITY?

It is impossible to give clear rules as to how to recognise money laundering activity. All individuals can do is to be aware of the policy and to trust their professional judgement and experience. The following list gives some risk factors which alone or cumulatively, may suggest the possibility of money laundering activity:

- ✓ A new or secretive client that refuses to provide the information requested.
- ✓ Concerns about a client's honesty, integrity and identity.
- ✓ Illogical transactions – the unnecessary routing or receipt of funds via third party accounts.
- ✓ Involvement of a third party without a logical reason or explanation.
- ✓ Payment of a substantial sum in cash (over £1,000).
- ✓ Overpayments by a client.
- ✓ Size, nature and frequency of transactions or instructions (or size, location or type of client) are out of line with normal expectations.
- ✓ A transaction without an obvious legitimate purpose or which appears uneconomic, inefficient or irrational.
- ✓ Cancellation or reversal of an earlier transaction.
- ✓ Unusual property transactions that have no apparent investment purpose or rationale.

Again, this list is not a fully comprehensive list and a transaction as listed above may be legitimate. The key is to use professional judgement and experience. Any suspicious activity should be reported to the Money Laundering Officer (MLRO). For the MLRO's contact details, please refer to the policy.

Officers should also consider the following questions:

- Am I suspicious, or do I know that the activity I have witnessed is criminal and caused someone to benefit in some way?

- Although I cannot pinpoint an offence, am I suspicious because an action is so unusual or lacking in normal commercial rationale that it causes me to suspect money laundering activity?
- If so, do I suspect a particular person or persons of having been involved in criminal activity (or do I know who undertook criminal activity), or does another person have details of this person(s) or information that might assist in identifying this person?
- Do I know who might have received, or still be holding, the benefit of the criminal activity or where the criminal property might be located or have I got information which might allow the property to be located?
- Do I think that the person involved in the activity knew or suspected that the activity was criminal or do I think the activity arose from an innocent error?
- Can I explain coherently what I am suspicious of, and why I consider that money laundering activity may have taken place?

It is important that these questions are asked so that you can complete a fully detailed report to the MLRO. The reporting form to the MLRO is included at Annex C. A report should be made to the MLRO as soon as suspicions are aroused. **If you do not report your suspicions, you are committing an offence. You must report any concerns you have irrespective of where you work or whether you are undertaking 'relevant business'. You can discuss your concerns with your line manager but you must make the report yourself. You must not discuss the suspicions or the report to the MLRO with anyone else and you must not make further investigations yourself once the report has been made. The key is, if you are at all suspicious: provide a report to the MLRO.**

CLIENT IDENTIFCATION PROCEDURES

If someone tries to pay the Combined Authority £1,000 or more in cash (or up to £2,500 in linked transactions) or is suspicious in nature, then you will need to check their identity. This should be sufficient to agree their name and address. This would include evidence in the form of utility bills, Council Tax/NNDR bills, drivers licence, benefits claims etc. You should verify the names and addresses of the individuals and retain evidence of the information checked. A proforma is attached to aid this process. Making a refund to an individual of £1,000 or more would also necessitate the same check to be undertaken.

Important note: In line with the Combined Authority's Financial Regulations, no payment over £2,500 in cash should be accepted by the Combined Authority's employees or its agents without express written permission from the Finance Director.

TRAINING

If you undertake work in a relevant business area, you should have received training on money laundering and the Combined Authority's Anti-Money

Laundering Policy. If you haven't received training yet, your manager will be able to explain why this has not taken place and when the training is scheduled.

Money laundering and the Anti-Money Laundering Policy should always be covered in induction where appropriate and should be detailed enough for most Officers across the Combined Authority.

CONCLUSION

There is a requirement on all Officers to comply with the spirit of the legislation. These guidance notes should be read in conjunction with the full Policy. The key is if in doubt, report it.

1st March 2018

Version Control

Version Number	Date	Author	Reason for an amendment
v1	1st March 2018	Mike Thomas	

Annex B

SHEFFIELD CITY REGION COMBINED AUTHORITY

THE ROLES AND RESPONSIBILITIES OF THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

The Money Laundering Reporting Officer (MLRO) role carries significant responsibility and as such should be undertaken by a senior officer who has the authority to take independent decisions and who has the knowledge and experience to undertake the role.

A deputy should be nominated in the MLRO's absence.

The key role of the Money Laundering Reporting Officer is to receive internal reports from within the Combined Authority about potential money laundering activity and to make reports to the NCA (National Crime Agency) where necessary.

The MLRO will also advise staff on how to proceed once a report has been made, guarding staff against tipping off or prejudicing the investigation.

Considerations to be made by the MLRO

When the MLRO receives an internal report, he/she should review the report and all the internal information available. Reports should be made on a standard proforma and this is included within the Anti-Money Laundering Policy at Annex C. The MLRO may want to consider the transaction patterns and volumes, linked one off transactions, the nature of the business relationship and any identification details held.

Reports to the MLRO should contain the following relevant details (and are included on the standard proforma):

- Who is making the report.
- The date of the report.
- Who is suspected or information that may assist in ascertaining the identity of the suspect.
- Who is involved in or associated with the matter and in what way.
- What the facts are.
- What is suspected and why.
- Information regarding the whereabouts of any criminal property or information that may assist in ascertaining it.
- What involvement does the Combined Authority have with the party so that immediate action can be fully considered.

The MLRO will then decide whether to make a report to the NCA. This should be undertaken as soon as possible after receiving the report. The MLRO needs to review the evidence presented and determine whether there is actual or suspected money laundering taking place and if there are reasonable grounds to know or suspect that this is the case. All decisions should be fully documented. If the MLRO does not decide to make a report then the reasons why should be fully documented and supported with any relevant information. The MLRO should also hold records of the reports sent and any other relevant information. These should be held securely and should be subject to the strictest confidence. As stated within the Anti-Money Laundering Policy, notes should not be made on any other client files as this may result in the potential ‘tipping off’ of a client.

If the MLRO decides to continue with the report, there are a number of ways in which a report can be made to the NCA:

- Complete a suspicious activity report online, using Internet transfer.
- Moneyweb and encrypted bulk file submissions.
- Using the NCA preferred Suspicious Activity Report (SAR) form.

Details of the NCA’s preferred reporting methods are available from their website at www.nationalcrimeagency.gov.uk.

The NCA are essentially looking for the answers to six questions:

- Who?
- What?
- Where?
- When?
- How?
- Why?

Ideally, they will need to know the subject’s name and date of birth, the subject’s address including postcodes, the account numbers/policy numbers and transaction details including recipient account details if appropriate, the full reason for suspicion including date of activity, type of product or service and the reason for the suspicion and how the activity will or has taken place. It should be noted that it is important that the relevant information is completed within the appropriate fields and not merely placed within the ‘reasons for suspicion’ field. If the report is sent to the NCA online, they will acknowledge receipt of this.

Once a report has been made the MLRO should advise staff about how to continue work and the interaction that will be required post report. Essentially, the MLRO should advise staff not to discuss the matter with anyone else or make any record of the report made. The MLRO’s file will include all the information necessary.

Under the Money Laundering regulations, there may be reasons why the MLRO would not disclose an internal report to the NCA. There may also be instances where consent is required from the NCA to continue with the disclosure. An obvious example would be a lawyer who could claim legal professional privilege.

From 21st February 2006, a relevant professional adviser who suspects or has reasonable grounds to suspect that another person is engaged in money laundering activity is exempted from making a report where his knowledge or suspicion comes to him in privileged circumstances (the privilege reporting exemption). Provided that the information is not given with the intention of furthering a criminal purpose, the advisor has a complete defence against a charge of failing to disclose. The exemption means that in these circumstances a report should not be made as the advisors are bound by the same standards of behaviour as in the case of legal advisors who have legal professional privilege. Relevant legal professional advisors include accountants, auditors and tax advisors. However, this is a complex area and if this situation emerges, the MLRO should seek further advice from the Combined Authority's Head of Legal Services.

Monitoring and Compliance

Managers are responsible for assessing their area and establishing the level of risk in relation to money laundering activity. If an area is assessed as high risk, they need to provide evidence of the measures that are in place and the training given to officers to apply with the policy.

The Money Laundering Reporting Officer should provide an annual update to key officers on current issues surrounding Money Laundering. This session should also cover issues directly related to the Combined Authority's policy; i.e. number of items raised etc. Managers should then disseminate this message across teams and throughout service areas.

Services should be required, as part of the Annual Governance Statement process, to verify that the Anti-Money Laundering Policy has been implemented and the necessary actions taken in line with the policy.

It is important that as a Combined Authority, we adopt a sense of perspective when dealing with the subject of money laundering. The 2007 Regulations require a risk-based approach to be taken when dealing with this issue and it should be noted that a number of Combined Authority services will not be 'relevant' under the legislation. However, some of the business undertaken is relevant and as the Combined Authority enters in to more complex partnerships and relationships, it is important that we understand who we are doing business with and what the risks associated with the relationship are. The key is to have an awareness of the issue and to understand what the responsibilities are if money laundering activity does occur.

1st March 2018

Annex C

CONFIDENTIAL

Report to the Money Laundering Reporting Officer

To: Mike Thomas, Deputy Section 73 Officer, Money Laundering Reporting Officer (MLRO)

Name of officer making this report: ……………………………………………
Team: …………………………………………………………………………….
Date: ……………………………………………………………………………

DETAILS OF SUSPECTED OFFENCE:

Please give as much information as possible to allow the Money Laundering Reporting Officer to fully evaluate the report.

Who is suspected? (Please include details of name/s, address/es and date/s of birth if available).

Please give details of the activity causing suspicion or the details of the incident. This should include details of the nature, value and timing of the activity, where and when the activity took place and why there is cause for suspicion. Please continue on a separate sheet if necessary.

Do you have any information regarding the criminal 'property'? (Proceeds of crime)

Has any investigation been undertaken (as far as you are aware)? YES/NO

If yes, please give details of the investigation below and why it was deemed necessary:

Have you discussed your suspicions with anyone else? YES/NO

If yes, please give details below including explaining why the discussion was necessary:

Have you consulted any supervisory body regarding your suspicions? YES/NO
(For example, the Law Society)

If yes, please give details below:

Do you have a reasonable reason for not disclosing this matter to NCA? YES/NO
(For example, professional privilege)

If yes, please give an explanation below:

Do you feel that you need consent from NCA to continue with this report? YES/NO

If yes, please give an explanation as to why below:

What involvement does the Combined Authority have with the party/parties involved?

Is there any other information that you wish to provide? If so, please give details below.

Signed: …………………………………………. Dated: ………………………………………….

Please do not discuss the content of this report with anyone else. Please await further instructions from the Money Laundering Reporting Officer.