



Financial Regulations

(April 2016)

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1. Introduction

- 1.1 The purpose of these Financial Regulations is to set out the framework of rules for the proper financial administration of the authority and the responsibilities of those carrying out duties with a financial implication. Councillors, employees and outside consultants engaged by the council are required to comply with these Financial Regulations.
- 1.2 Where appropriate, Financial Regulations and other financial instructions must be read in conjunction with Contract Procedure Rules.
- 1.3 Where appropriate, Financial Regulations covering Strategic Directors, Assistant Directors and Service Managers shall include team leaders, officers and cost centre managers in their services authorised by them to undertake duties. A list of Strategic Directors, Assistant Directors and Service Managers is retained in Financial Services.
- 1.4 References to the s151 Officer shall include those officers of Financial Services authorised by the s51 Officer to undertake specific duties.
- 1.5 Financial Regulations shall be reviewed from time to time by the s151 Officer who shall recommend to the Governance & Audit Committee and Council any amendment which he or she considers necessary. Questions regarding the interpretation of these Financial Regulations shall be referred to the s151 Officer or in his/her absence the Deputy s151 Officer.
- 1.6 These Regulations are supported by Guidance Notes which provide details of the underlying processes for the implementation of the Regulations. The Guidance Notes covers the following areas:

Section 1: Financial Management

Financial Management Standards
Managing Expenditure
Accounting Policies, Records and Returns
The Annual Statement of Accounts

Section 2: Financial Planning

Financial Planning & Performance Plans
Budgets and Medium-Term Planning
Capital Programmes
Maintenance of Reserves

Section 3: Risk Management and Internal Control

Risk Management and Internal Control Audit
Preventing Fraud and Corruption
Assets & Asset Disposal
Intellectual Property
Leasing
Treasury Management
Staffing

Section 4: Financial Systems and Procedures

Financial Systems and Procedures

Income and Expenditure

Payments to Employees and Members

Taxation

Trading Accounts and Business Units

Section 5: External Arrangements

Partnerships, External Funding & Work for Third Parties

2. Financial Regulations A Financial Management Responsibilities

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| <p>A.1 INTRODUCTION
Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget process.</p> | <p>A.6 Deleted – no longer relevant</p> |
| <p>A.2 THE COUNCIL
The Council is responsible for adopting the authority’s constitution and members’ code of conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority’s overall framework of accountability and control. The framework is set out in the constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.</p> | <p>A.7 COMMITTEES OF THE CABINET
Overview and Scrutiny Committees
The Overview and Scrutiny Committees meets in public (except in the case of an exempt item) to review and scrutinise the performance of the Council and can also hold the Cabinet to account for its actions. It has a key role in considering other matters of local concern</p> |
| <p>A.3 The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and the Cabinet. These delegations and the allocations of responsibilities for decision making are set out in the constitution.</p> | <p>A.8 Governance and Audit Committee
The Governance and Audit Committee is a committee of the Council and reports to the Council. The committee oversees the assurance arrangements in place in respect of the Authority’s system of governance, internal control and risk management. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The committee is responsible for reviewing the external auditor’s reports, the annual audit letter, internal audit’s annual report and for approval of the annual accounts.</p> |
| <p>A.4 THE CABINET
The Cabinet is responsible for proposing the policy framework and budget to the Council, and for discharging executive functions in accordance with the policy framework and budget.</p> | |
| <p>A.5 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet member, an officer, joint arrangements or combination of these.</p> | |

A.10 **Other Regulatory Committees**
Planning, conservation and licensing are not Cabinet functions but are exercised through the politically balanced Development Control and Licensing Committee under powers delegated by the full council.

A.11 **Independent Remuneration Panel**
This panel provides independent advice on the members' allowances scheme and pensionable remuneration for members.

THE STATUTORY OFFICERS

A.12 **Chief Executive (Head of Paid Service)**
The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He/she must report to and provide information for the Cabinet, the Council, the Overview and Scrutiny Committees and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the council's decisions.

A.13 **The Monitoring Officer**
The Monitoring Officer is responsible for promoting and maintaining high standards of conduct. The Monitoring Officer is responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively

A.19 **Strategic Director**

A.14 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that council members are aware of decisions made by the Cabinet and of those made by officers who have delegated Cabinet responsibility.

A.15 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

A.16 The Monitoring Officer is responsible for advising the Cabinet and/or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

A.17 The Monitoring Officer (together with the s151 Officer) is responsible for advising the Cabinet and/or full council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- Initiating a new policy
- Committing expenditure in future years above the budget level
- Incurring interdepartmental transfers above virement limits
- Causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount

A.18 The Monitoring Officer is responsible for maintaining an up to date constitution.

for those with specific financial

Corporate Focus

The s151 Officer (also referred to in statute as the Chief Finance Officer) has statutory duties in relation to the financial administration and stewardship of the authority. The Deputy s151 Officer is the Corporate Finance Manager. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- Local Government Finance Act 1992
- Local Government Act 2000
- The Local Government Act 2003
- The Accounts and Audit Regulations 2011

A.20 The s151 Officer is responsible for:

- The proper administration of the authority's financial affairs
- Ensuring financial stewardship on behalf of the community.
- Setting and monitoring compliance with financial management standards.
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- Contributing to corporate management and leadership.
- Providing financial advice and information, and advising whether particular decisions are likely to be contrary to the policy framework or budget.
- Promoting and encouraging both a basic level of financial awareness amongst all councillors and staff and more detailed financial training

responsibilities.

- Leading and managing an effective and responsive financial service. On a day to day basis, this is discharged by the Corporate Finance Manager who is the Deputy s151 Officer.
- Preparing the revenue budget and capital programme.
- Reporting, at the time the budget is considered and the council tax set, on the robustness or the budget estimates and the adequacy of financial reserves.
- To keep under review during the year the finances of the authority, and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
- Treasury management

A.21 Section 114 of the Local Government Finance Act 1988 requires the s151 Officer to report to the Council, the Cabinet and external auditor if the authority or one of its officers:

- Has made, or is about to make, a decision which involved incurring unlawful expenditure.
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority.
- Is about to make an unlawful entry in the authority's accounts.

- A.22 Section 114 of the 1988 Act also requires:
- The s151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally. This is the Corporate Finance Manager who is the Deputy s151 Officer.
 - The authority to provide the s151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.
- A.23 Part 11 of the Local Government Act 2003 introduces a requirement for the s151 Officer to report upon the robustness of the estimates made for the purposes of the budget and tax setting calculations and the adequacy of proposed reserves.
- A.24 It is the duty of the s151 Officer in preparing a report under Section 114 to consult as far as is practicable:
- a) the Chief Executive as the designated head of the authority's paid service under Section 4 of the Local Government and Housing Act 1989;
 - b) the designated Monitoring Officer, under Section 5 of the Local Government and Housing Act 1989.
- A.25 Where the s151 Officer has made a report under Section 114 he/she shall send a copy to the person responsible for the audit of the authority's accounts and all members of the authority.
- A.26 The Council shall hold a meeting within 21 days of the report being sent. In this period up to the meeting, all action in respect of the report must be suspended until it has been considered.
- A.27 To enable these duties to be carried out he/she shall be a member of or represented on any officers' management team created by the Council, where he/she considers issues relating to financial implications will be discussed.
- A.28 The s151 Officer is responsible for providing advice and guidance over all accounting and financial operations in whichever service they are performed. He/she is the principal financial advisor to the Council, Cabinet and all committees of the Council. He/she shall attend or be represented at all meetings of the Council and at such committees, as he/she considers necessary on the grounds that there are matters of financial importance likely to be discussed.
- A.29 The s151 Officer shall be authorised to increase the financial limits/prescribed amounts contained within the following sections of these procedures by the inflation factor deemed most appropriate, subject to increases being notified to all strategic directors, Assistant Directors and Service Managers.
- Head of Internal Audit**
- A.30 The Council's internal audit service is outsourced and is, currently, provided by RSM. The role of the Head of Internal Audit is provided by RSM as part of this arrangement. Under the CIPFA Code of Practice for Internal Audit in Local Government 2006, the Head of Internal Audit is required to provide annually an opinion designed to assist the authority to meet its obligations, under Regulation 4 of the Accounts and Audit Regulations, to

review at least annually the effectiveness of the system of internal control and also to assist in producing the Annual Governance Statement.

CHIEF OFFICERS

- A.31 Strategic Directors, Assistant Directors and Service Managers are responsible for:
- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the s151 Officer or his/her Deputy.
 - signing contracts on behalf of the authority (in accordance with standing orders – contract procedure rules)
- A.32 It is the responsibility of Assistant Directors and Service Managers to consult with the s151 Officer or his/her Deputy and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

- A.33 The Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- A.34 Assistant Directors and Service Managers are responsible for agreeing in-year virements within delegated limits, in consultation with the s151 Officer or his/her Deputy where required and they must notify the s151 Officer or his/her Deputy of all virements.

Treatment of Year-End Balances

- A.35 The Governance and Audit Committee is responsible for agreeing procedures

for carrying forward material under and overspending on budget headings.

Accounting Policies

- A.36 The s151 Officer is responsible for selecting appropriate accounting policies and ensuring that they are applied consistently in line with relevant codes of practice.

Accounting Records and Returns

- A.37 The s151 Officer is responsible for determining the appropriate accounting procedures and records for the authority.
- A.38 All business areas must use the Council's corporate accounting system for their financial management requirements and associated corporate procurement. The s151 Officer must be consulted on any proposal to develop alternative systems.

The Annual Statement of Accounts

- A.39 The s151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. (CIPFA/LASAAC). The Governance and Audit Committee has been designated by Council as the appropriate Committee responsible for approving the annual statement of accounts.

Financial Regulations B: Financial Planning

INTRODUCTION

- B.1 The Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- The Corporate Plan
 - The Council's Priorities
 - The Medium Term Financial Plan

POLICY FRAMEWORK

- B.2 The Council is responsible for approving the policy framework and budget. The policy framework is detailed at Article 4 of the constitution.
- B.3 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Council by the Monitoring Officer.
- B.4 The Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Corporate Plan

- B.5 The Head of Paid Service is responsible for proposing the corporate plan to the Cabinet for consideration before its submission to Council for approval.

BUDGETING

Budget Format

- B.6 The general format of the budget will be approved by the Council having been proposed by the Cabinet on the advice of the s151 Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget Preparation

- B.7 The s151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and includes indicative budgets for the next two years for consideration by the Cabinet, before submission to the Council. The Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B.8 The Cabinet is responsible for issuing guidance on the general content of the budget in consultation with the s151 Officer as soon as possible following approval by Council.
- B.9 It is the responsibility of the Assistant Directors and Service Managers to ensure that budget estimates reflecting the priorities of the Council are submitted to the Corporate Finance Manager and that these estimates are prepared in line with guidance issued by the Cabinet. The Corporate Finance Manager will monitor this process, and submit the budgets to the Cabinet. The general format of the budget will include items such as:

- The format of the budget presentation (original current year budget and estimate budgets for the next three years)
- Impact of the Government's Spending Review and Annual Grant Settlements
- Levels of inflation
- Expenditure growth or reduction
- Guidance on level of increases for fees and charges
- Levels of reserves and contingencies
- Proposed taxation levels

Budget Monitoring and Control

- B.10 The s151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.
- B.11 It is the responsibility of Assistant Directors and Service Managers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the s151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the s151 Officer to any problems.

Resource Allocation

- B.12 The s151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

Preparation of the Capital Programme

- B.13 The s151 Officer is responsible for ensuring that a 3-5 year capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council.

Guidelines

- B.14 Guidelines on budget preparation are issued to Members and Strategic Directors, Assistant Directors and Service Managers by the Cabinet following agreement with the s151 Officer. The guidelines will take account of:
- Legal requirements including Section 17 (Crime and Disorder Act)
 - Medium-term planning prospects
 - The corporate plan
 - Available resources
 - Spending pressures
 - Public and user consultation
 - Relevant government guidelines
 - Other internal policy documents
 - Cross-cutting issues (where relevant e.g. equality issues)

MAINTENANCE OF RESERVES

- B.15 It is the responsibility of the s151 Officer to advise the Cabinet and the Council on prudent levels of reserves for the authority. At the time the budget is prepared the s151 Officer must prepare a report to Council on the robustness of the budget estimates and the adequacy of financial reserves.

Financial Regulations C: Risk Management & Control of Resources

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| <p>C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.</p> | <p>C.6 It is the responsibility of Assistant Directors and Service Managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.</p> |
| <p>RISK MANAGEMENT</p> <p>C.2 The Governance and Audit Committee is responsible for approving the authority's risk management policy statement and strategy for reviewing the effectiveness of risk management. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.</p> | <p>AUDIT REQUIREMENTS</p> <p>C.7 The Accounts and Audit Regulations 2015 issued by the Department for Communities and Local Government (DCLG) require every local authority to maintain an adequate and effective internal audit.</p> |
| <p>C.3 The s151 Officer is responsible for preparing the authority's risk management policy statement, for promoting it throughout the authority and for advising on proper insurance cover where appropriate.</p> | <p>C.8 The Authority is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by part 5 of the Local Audit and Accountability Act 2014</p> |
| <p>INTERNAL CONTROL</p> <p>C.4 Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.</p> | <p>C.9 The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.</p> |
| <p>C.5 The s151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.</p> | <p>PREVENTING FRAUD AND CORRUPTION</p> <p>C.10 The s151 Officer is responsible for the development and maintenance of a counter fraud, corruption and bribery framework, which includes:</p> <ul style="list-style-type: none"> • Seven Principles of Public Life • Whistle-blowing Policy • Housing Benefit and Council Tax Counter Fraud Policy • Fraud Response Plan • Anti- Money Laundering Policy |

In accordance with good practice, the framework is regularly reviewed and updated prior to approval by the Governance and Audit Committee.

ASSETS

- C.11 Service Managers should ensure that records on assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service are developed and are in place in the event of disaster or system failure. Business Continuity Plans for each business area are regularly reviewed, updated and tested by Service Managers, as appropriate.
- TREASURY MANAGEMENT**
- C.12 The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.13 The Council is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the Council by the Cabinet. The s151 Officer has delegated responsibility for implementing and monitoring the statement.
- C.14 All money in the hands of the authority is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the code as the s151 Officer.
- C.15 The s151 Officer is responsible for reporting to the Cabinet and the Council on an annual basis, a proposed treasury management strategy outlining the expected treasury activity for the forthcoming three years at, or before the start of each financial year.
- C.16 All Cabinet decisions on borrowing, investment or financing shall be delegated to the s151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.17 The s151 Officer is responsible for reporting to the Governance and Audit Committee in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers.
- STAFFING**
- C.18 The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation, or other agreed, systems for determining the remuneration of a job.
- C.19 Assistant Directors and Service Managers are responsible for controlling total staff numbers by:
- Advising the Cabinet of the budget necessary in any given year to cover estimated staffing levels;
 - Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs;
 - The proper use of appointment procedures, including the approval of staff requisitions and use of the job evaluation process where appropriate

Financial Regulations D: Systems and Procedures

INTRODUCTION

- D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

- D.2 The s151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Assistant Directors and Service Managers to the existing financial systems or the establishment of new systems must be approved by the s151 Officer. Assistant Directors and Service Managers are responsible for the proper operation of financial processes in their own service areas.
- D.3 Any changes to agreed procedures by Assistant Directors or Service Managers to meet their own specific needs should be agreed with the s151 Officer.
- D.4 Assistant Directors and Service Managers should ensure that their staff receive relevant financial training that has been approved or provided by the s151 Officer.
- D.5 Assistant Directors and Service Managers must ensure that, where appropriate, manual and computer systems are registered in accordance with data protection legislation. Assistant Directors and Service Managers must ensure that staff are aware of their responsibilities under data protection and freedom of information legislation. The Monitoring Officer, as the Council's designated data protection officer, will give advice where appropriate.

INCOME AND EXPENDITURE

- D.6 It is the responsibility of the Corporate Finance Manager to ensure that a proper scheme of delegation has been established within each service area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Service Manager's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENT TO EMPLOYEES AND MEMBERS

- D.7 The s151 Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

TAXATION

- D.8 The s151 Officer is responsible for advising Service Managers, in the light of guidance issued by appropriate bodies and relevant legislation, as it applies, on all taxation issues that affect the authority.
- D.9 The s151 Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

TRADING ACCOUNTS/BUSINESS UNITS

- D.10 It is the responsibility of the s151 Officer to advise on the establishment and operation of trading accounts and business units.

COMPENSATION PAYMENTS

- D.11 Claims for compensation must be submitted in writing. It is important to establish whether the claim should be handled through the insurance process and therefore the Governance and Risk Officer must be consulted in the first instance. In order for a claim to succeed there has to be proven legal liability and negligence and this must be established before any further consideration or compensation is undertaken.

Financial Regulations E: External Arrangements

INTRODUCTION

- E.1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

PARTNERSHIPS

- E.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3 The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Cabinet remains accountable for them to the Council.
- E.4 The Head of Paid Service (or Officers nominated by him/her) represents the authority on partnership and external bodies, in accordance with the scheme of delegation.
- E.5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority
- E.6 The s151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and

joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

- E.7 Assistant Directors or Service Managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

- E.8 The s151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

WORK FOR THIRD PARTIES

- E.9 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.