

APPENDIX C

Axbridge Town Council

INTERNAL FINANCIAL CONTROLS AND AUDIT.

As adopted by the council on: 17<sup>th</sup> August 2009      Minute: 66/09(c) refers

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**1. General overview.**

The financial year ends on the 31<sup>st</sup> March each year.

The Town Clerk as Responsible Financial Officer will keep the records of accounts, manage the bank accounts and produce the required reports for council as per the diary.

The members of the Administration & Finance Advisory Group of the Council [A&F advisory group] will assist and advise the council and clerk on financial matters.

## **2. Receipts**

All receipts must be listed in the minutes, paid in to the bank current account and recorded in the accounting system.

## **3. Payments**

The clerk should check that all payments are lawful by recording the relevant section of the Act permitting the expenditure next to the payment record in the minutes. All payments made under section 137 of LGA 1972 shall be authorised separately by a resolution of the council.

All payments must be authorised by the council, listed in the minutes and recorded in the accounting system. As far as possible, payments will be made by cheque. Cheques must be signed by two councillors who have authorisation from the bank. The cheque stub and invoice must also be initialled by the signatories to ensure the payee and amounts are correct.

If necessary, payments can be made by direct debit particularly if it is more economical. The direct debit authorisation should be signed by two councillors after agreement by the council. The Clerk will keep a list of direct debit authorisations which shows the details of the payments. This should be approved annually by the council and signed by two councillors.

Payment by a personal credit card may on occasions be necessary, particularly for telephone and computer system updates where requesting an invoice is not normal practice. Prior agreement of the Council will be required for any such expenditure and the details minuted. The credit card payment will be reimbursed by cheque authorised at the council meeting after the payment has been made and goods have been received.

## **4. Cheque Signatories.**

The Clerk will be a cheque signatory so that he/she is authorised by the bank to manage the accounts but will not sign cheques or direct debit mandates. Only Councillors can sign cheques. A list of councillors, who have been authorised by the bank to sign cheques, will be agreed annually by the council.

With the agreement of the council, some Councillors who are not authorised to sign cheques will be delegated to sign the monthly bank reconciliation report. (Only one signature is required on the report together with RFO.)

## **5. Reports to members**

Regular reports from the accounting system are used to supply financial information to councillors and to manage the council's finances. Councillors should check these as it is ultimately their responsibility that the accounts are kept in order.

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- (a) Quarterly summary reports of the accounts will be presented to council for adoption.

The reports will show, for the control accounts and budget headings, the expenditure last financial year, the budget for the current year and the receipts and expenditure to-date for the current year.

Reports will be issued showing the financial position at the  
end of June  
end of September (this will also show a draft budget for the following year.)  
end of December  
end of March (this will also show a VAT reconciliation and will be signed by the Mayor and Clerk as the end of year statement).

- (b) Monthly reports will be sent to members of the A&F Advisory Group.

The group members will receive a report each month in time for checking before the monthly council meeting. The report will show for the control accounts and the budget headings, the expenditure last financial year, the budget for the current year, the receipts and expenditure to-date for the current year and an estimate of the total receipts and expenditure for the current financial year.

This report will provide the Clerk and the Advisory Group with information about possible over and under spends and as such is very important for managing the finances of the Council.

- (c) A financial transactions report will be sent out with councillors' agendas for the regular monthly council meetings.

The report shows a single line entry for each of the bank accounts and each of the Council's control accounts giving the balances. (The totals of the bank accounts and the control accounts should be the same.)

It also shows

all receipts since the last report,  
all payments made since the last report but not shown on the last report, for ratification at the meeting, and  
all payments requiring authorisation at the meeting.

This report will form part of the minutes of the meeting as modified and agreed by the council.

- (d) A bank reconciliation report will be produced monthly for checking and signature by a delegated councillor.

The report will show the amount in each of the Council's control accounts and the total of these. It will show the amount given on the latest bank statement of each bank account and will list the transactions not shown on the bank

statements which reconcile them to the total of the Council's control accounts. The report will be retained with the current account bank statement each month.

- (e) A report showing the budget for the following year will be issued to all councillors after the precept and budget have been agreed by council.

## **6. Reconciliation to the bank statements**

Every month a delegated councillor will check the information of the reconciliation report by reference to the bank statements, the previous month's report, the direct debit list and the accounts. If the reconciliation is correct then the report will be signed and dated by the delegated councillor and the clerk. Any problems will be reported to the A&F Advisory Group for investigation.

The delegated councillor will check:

- the balances on the report against the bank statements and bank books,
- that inter-account transfers are shown on both bank statements or recorded on the report correctly,
- that the amounts paid in on the current account statement agree with the paying-in book,
- that all amounts paid in but not on the statement are correctly shown on the report,
- that the amounts on the statement for cheque transactions agree with the cheque book stubs (marking the stubs and transactions on the statement),
- that the uncleared cheques are correctly shown on the report, including any from the previous month still not cleared,
- that the direct debit payments are in-line with the latest approved direct debit list approved by council,

and carry out spot checks that transactions are shown in the minutes.

## **7. Management of financial records.**

The receipts and expenditure transactions will be managed and analysed by allocating them to budget headings which themselves are grouped into Control Accounts.

The Control Accounts will be	The General Account
	The Changing Rooms & Furlong Operating Account
	The Changing Rooms Maintenance Fund (R)
	The Town Criers Account (R)

The funds in some accounts are restricted to a single purpose. Withdrawals may not be made on these accounts except for the specific purpose specified when creating the account in the first place. These accounts are shown with (R) after them.

All receipts and payments documentation will be filed in the appropriate Control Account folder. Within each folder the receipts and the payments will be numbered sequentially for each year. This number will also be shown in the accounting system for cross referencing purpose.

## **8, Donations and Grants made by Council.**

Generally grant applications can be placed in one of three categories.

Regular (Type A).

These are received from particular bodies (e.g. Victim Support and CAB) almost every year, sometimes more than once per year. Their requirements for financial support are not time dependent.

One-off, budgeted (Type B).

These are requests for financial help for specific projects to a deadline which allows them to be considered when the Council's budget is being prepared.

Miscellaneous (Type C).

These are requests for financial help for specific projects to a deadline which does not allow them to be considered for the following year's budget.

The Council's budget for grants should be split into three: budgets being set for types A,B and C applications separately.

Type A (Regular), applications should be collected during the year and all be considered at the same time. After consultation with the A&F Advisory Group, the Clerk should prepare a list of applications and suggested grants (which could be zero). The total of the grants should be in line with the Type A budget. The list should be presented annually to the Council for discussion, modification and final approval.

Type B (One-off, budgeted) applications should be approved by council and paid as early in the new financial year as practical as agreed when the budget was set.

Type C (Miscellaneous) applications should be considered individually as received during the year and payments be made on a first come first served basis while there is unallocated money in the type C budget.

Applicants for type C grants should be encouraged to apply in time for them to be considered for budgeting for the following financial year (i.e. application by end of September, payment in April ) – so they become a type B application. Applicants should be advised that if this is not possible any grant will depend very much on what, if anything, remains of the current budget for miscellaneous grants.

The clerk should ask for all grant applications to be accompanied by evidence of good financial management eg the last financial year's audited accounts.

Note: these procedures do not cover the grants to the Town Trust for the Town Hall upkeep and for the Planters in the Square or for the Christmas Lights donation which are separate budget headings. However they could be incorporated into this system.

## **9. Budget and Precept**

A budget and precept report, as recommended by the A&F Advisory Group will be circulated with the agendas of the October meeting of the Council for consideration. Amendments agreed by council at the October meeting will be presented in a revised budget and precept report for adoption at the November meeting.

## **10. Management of the Bank Accounts**

The RFO will manage the bank accounts with guidance from council. The RFO has the authority to transfer funds between bank accounts as necessary. Except in exceptional circumstances all transfers will be made through the current account. (This will make the monthly reconciliation more straightforward.)

There will be a single current account (cheque account) and a short notice investment/deposit account for general use. The council may also have other bank accounts to invest funds for specific purposes. (These would typically hold the funds for the restricted control accounts.)

The use of on-line/internet banking is not allowed.

## **11. Asset Register.**

The RFO will keep a register of all the assets of the council. All assets will have a valuation and an explanation of the valuation. The L&R Advisory Group will check the register annually and report this to council annually. Those items that have an insurance valuation will have their values kept in line with latest insurance schedule.

## **12. Risk Assessment**

The council will consider and approve the document annually after it has been checked and revised by the A&F advisory group.

## **13. Insurance**

The schedule of the insurance cover will be reviewed annually by the A&F advisory group. Any recommended changes to the cover will be reported to council for consideration.

## 14. Contracts

[Based on NALC Model Financial Regulations]

Procedures as to contracts are laid down as follows:

- (a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) to (vi) below:
  - (i) for the supply of gas, electricity, water, sewerage and telephone services;
  - (ii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
  - (iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
  - (iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
  - (v) for additional audit work of the external Auditor up to an estimated value of £250 (in excess of this sum the Clerk and RFO shall act after consultation with the Chairman and Vice Chairman of Council);
  - (vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
- (b) Where it is intended to enter into a contract exceeding £20,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list.
- (c) When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.
- (d) Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.
- (f) All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council.
- (g) If less than three tenders are received for contracts above £20,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (h) Any invitation to tender issued under this regulation shall contain a statement to the effect of Standing Orders 61, 63 and 64.
- (i) When it is to enter into a contract less than £20,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced

descriptions of the proposed supply); where the value is below £2,000 and above £250 the Clerk or RFO shall strive to obtain 3 estimates.

The Council shall not be obliged to accept the lowest or any tender, quote or estimate.

#### **15. Payments under contracts for building and other construction works.**

[Based on NALC Model Financial Regulations]

Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.

Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the Contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

#### **16. Orders and Payments delegated to the clerk.**

The clerk has the authority to order and make payments for items that are required urgently up to the value of £250.00. This action will be ratified at the next council meeting. The clerk should check with the mayor, deputy mayor or member of the A&F advisory group before placing the order. For orders over £250.00 an emergency meeting of the Town Council should be called.

The clerk has the authority to authorise the purchase of minor items up to the value of £50.00 which are required by councillors or employees for their projects or duties. (This includes items placed on accounts set up with local suppliers.)

The clerk has the authority to place orders for office consumables keeping in mind the amount allocated to the Administration budget heading. The actual expenditure will be monitored monthly by the A&F advisory group.

#### **17. VAT**

Vat returns will be made quarterly and a reconciliation made at the end of the financial year.

#### **18. Internal Audit**

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The internal audit will be arranged for April or May every year.

Review of Effectiveness of Internal Audit will be carried out annually after the completion of the external audit. The following should be taken into account in the review and the answers recorded:

- 1 Council approved terms of reference or appointment?
- 2 Independent?
- 3 Competent?
- 4 Internal audit plan appropriate?
- 5 Plan approved?
- 6 Report to council?
- 7 Risk based?
- 8 Organisation understood?
- 9 Properly resourced?
- 10 Added value?
- 11 Forward looking?
- 12 Challenging?

### **19. External Audit**

The Annual Return will be completed by the Clerk and presented to Council for approval annually.

### **20. Diary of Items to be considered by Council.**

The following items should be considered by council at their regular monthly meetings (agenda items).

April	End-of-year summary financial statement.
May	Internal auditors report and response. Annual return for external audit.
June	Report on insurance schedule.
July	1 <sup>st</sup> quarter summary financial statement. Report on Asset Register.
August	Cemetery fees
September	Regular grant applications (Type A). Annual report & Short version
October	Report on review of system of internal control and audit. 2nd quarter Summary Financial Report, draft budget and precept.
November	Final budget and precept report.
December	[No meeting]
January	3 <sup>rd</sup> quarter summary financial statement.
February	Amended Risk assessment and management document.
March	Authorise list of Direct Debit payments. Approve list of cheque signatories. Approve list of members to check monthly bank reconciliations.

**21. Review of the system of internal control.**

The A&F Advisory Group will review annually the system of internal control including the effectiveness of the internal audit and report to council.