



Axbridge Town Council

Financial Regulations (Appendix B of Standing Orders)

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INTERNAL FINANCIAL CONTROLS AND AUDIT.

1. General overview.

The financial year ends on the 31st 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.

Invoices will be issued with a request for the payment to reach the council within 30 days.

There will be a regular check that payments have been received within this period.

Reminders will be sent out relating to all overdue receipts.

The council will not maintain any form of cash float. All cash received must be banked intact.

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. If relevant, all payments made under section 137 of LGA 1972 shall be authorised separately by a resolution of the council.

The procedure for making payments is set out below. There are three steps:

1. payments must be approved by the council and then recorded in the minutes,
2. approved payments must be authorised by two "payment signatories",
3. authorised payments are made and entered in the accounts.

Methods of payment to be used must be agreed by Council annually. The methods available are Direct Debit (DD), Standing Order (SO), Cheque, Debit Card, bank transfer and payments to Sedgemoor District Council by deductions from the precept for employees' salaries and contracts with the Town Council

A list giving details of direct debit arrangements and bank standing orders will be presented to council annually for approval.

Regular payments should be paid by DD or SO. Invoiced, one-off payments should be made by Cheque, or, if cheques are not accepted, by Bank Transfer or Debit Card.

At the monthly council meeting councillors will receive, as part of the monthly financial report, a list of Direct Debit and Standing Order payments due the following calendar month and the invoiced payments. The list needs to be approved by council. (Council can decide not to approve payment of specified items on the list.)

Before payments are made they must be authorised by two councillors who are on the list of payment signatories. For all payments except those to be paid by cheque, payment signatories should check and initial the invoice and sign and date the relevant item on the

payment list as authorisation. For cheque payments the invoice is checked and initialed, the cheque signed and the cheque stub initialed.

Any urgent payments made since the previous council meeting without Council approval need to be ratified. These payments will be listed on the monthly financial report in a separate list and need specific retrospective approval by council. These items should have been authorised for payment as described above by two signatories.

4. Payment 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 payment authorisation lists. Payment signatories must be councillors. A list of councillors who are authorised to sign will be agreed annually by the council and must sign against their names on the list.

With the agreement of the council, several councillors who are not payment signatories will be delegated to check and sign the monthly bank reconciliation report. These councillors will put their signatures against their names on the list. (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.

- (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 reconciliation to the bank statements 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 essential 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.

Section 1 of 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.)

Section 2 shows all receipts since the last report.

Section 3 shows all payments (urgent payments) made since the last report but not shown on the last report, for ratification at the meeting,

Section 4 shows all payments requiring approval at the meeting. Approval will be required for all one-off payments to be made before the next meeting and all DD and SO order payments due the following calendar month.

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

- (d) An authorisation report will be produced monthly in line with section 4 of the transaction report in the previous paragraph. All planned payment transactions will be listed together with columns for two payment signatories and dates of signing. This will be the authorization for payments to be made. (Cheque transactions do not require to be signed on this list.)

Any emergency payments, not specifically approved by council, should be added to the list and authorised on this list and they should appear on the transaction report for the following month for ratification.

- (e) 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.

- (f) 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 reconciliation report, the monthly financial transactions report and the accounts. If the reconciliation is found to be 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 amounts on the statement for none-cheque payments shown on the statements have been authorised correctly by reference to the Authorisation Report
- check that the receipts and payment transactions form part of 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 Car Parks Account
- The Maintenance Funds 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 or to increase income from interest payments.

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.

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.

The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.

18. Internal Audit

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.

These required actions and reports for Council are the duties of specific committees and advisory groups and form part of their remits which are revised annually.

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.

Adopted by Council: 21st October 2019 (minute 111/19(f) refers)

Reviewed by Admin and Finance Advisory Group: 14th October 2019