

## YSCIR COMMUNITY COUNCIL FINANCIAL REGULATIONS

### 1. GENERAL AND ACCOUNTING AND AUDIT

- 1.1. These financial regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial regulations must be observed in conjunction with the Council's standing orders<sup>1</sup> and any individual financial regulations relating to contracts.
- 1.2. The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.
- 1.3. The Council's accounting control systems must include measures:  
for the timely production of accounts;  
that provide for the safe and efficient safeguarding of public money;  
to prevent and detect inaccuracy and fraud; and  
identifying the duties of officers.
- 1.4. These financial regulations demonstrate how the Council meets these responsibilities and requirements.
- 1.5. At least once a year, prior to approving the annual return to the external auditor, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.6. Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.7. Members of Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of Councillor into disrepute and may represent a breach in the Councillor's Code of Conduct
- 1.8. The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for this Council and these regulations will apply accordingly.
- 1.9. The RFO:  
acts under the policy direction of the Council;  
administers the Council's financial affairs in accordance with all Acts, Regulations and proper practices;  
determines on behalf of the Council its accounting records and accounting control systems;  
ensures the accounting control systems are observed;  
maintains the accounting records of the Council up to date in accordance with proper practices;  
assists the Council to secure economy, efficiency and effectiveness in the use of its resources; and  
produces financial management information as required by the Council.
- 1.10. The accounting records determined by the RFO shall be sufficient to show and explain the

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<sup>1</sup> Model standing orders for Councils are available in Local Councils Explained © 2013 National Association of Local Councils

Council's transactions and to enable the RFO to ensure that any income and expenditure account and statement of balances, or record of receipts and payments comply with the Accounts and Audit (Wales) Regulations and to prepare additional or management information, as the case may be, to be prepared for the Council from time to time.

- 1.11. The accounting records determined by the RFO shall in particular contain:
  - entries from day to day of all sums of money received and expended by the Council and the matters to which the income and expenditure or receipts and payments account relate;
  - a record of the assets and liabilities of the Council; and
  - wherever relevant, a record of the Council's income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 1.12. The accounting control systems determined by the RFO shall include:
  - procedures to ensure that the financial transactions of the Council are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
  - procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
  - procedures to ensure that uncollectable amounts, including any bad debts are not submitted to the Council for approval to be written off except with the approval of the RFO and that the approvals are shown in the accounting records; and
  - measures to ensure that risk is properly managed.
- 1.13. The Council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:
  - setting the final budget or the precept (Council Tax Requirement);
  - approving accounting statements;
  - approving an annual governance statement;
  - borrowing;
  - writing off bad debts;
  - addressing recommendations in any report from the internal or external auditors,shall be a matter for the full Council only.
- 1.14. In addition the Council must:
  - determine and keep under regular review the bank mandate for all Council bank accounts;
  - approve any grant or a single commitment in excess of [£5,000]; and
  - in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made by the relevant committee in accordance with its terms of reference.
- 1.15. In these financial regulations, references to the Accounts and Audit (Wales) Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 39 of the Public Audit (Wales) Act 2004, or any superseding legislation, and then in force unless otherwise specified. In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability for Local Councils in Wales - A Practitioners' Guide issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of One Voice Wales (OVW) and SLCC as appropriate.

All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit (Wales) Regulations, appropriate guidance and proper practices.
- 1.16. At least twice a year and at each financial year end, a member other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank

- statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Council
- 1.17. The RFO shall complete the annual statement of accounts, annual report, and any related documents of the Council contained in the Annual Return (as specified in proper practices) as soon as practicable after the end of the financial year and having certified the accounts shall submit them and report thereon to the Council within the timescales set by the Accounts and Audit (Wales) Regulations.
  - 1.18. The Council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the Council shall make available such documents and records as appear to the Council to be necessary for the purpose of the audit and shall, as directed by the Council, supply the RFO, internal auditor, or external auditor with such information and explanation as the Council considers necessary for that purpose.
  - 1.19. The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the Council in accordance with proper practices.
  - 1.20. The internal auditor shall:  
be competent and independent of the financial operations of the Council;  
report to Council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;  
to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and  
have no involvement in the financial decision making, management or control of the Council.
  - 1.21. Internal or external auditors may not under any circumstances:  
perform any operational duties for the Council;  
initiate or approve accounting transactions; or  
direct the activities of any Council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.
  - 1.22. The RFO shall make arrangements for the exercise of electors' rights in relation to the accounts including the opportunity to inspect the accounts, books, and vouchers and display or publish any notices and statements of account required by Public Audit (Wales) Act 2004, or any superseding legislation, and the Accounts and Audit (Wales) Regulations.
  - 1.23. The RFO shall, without undue delay, bring to the attention of all Councillors any correspondence or report from internal or external auditors.

## **2. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING**

- 2.1. Proposals for the following financial year should be submitted to the Council not later than the end of November each year including any proposals for revising the forecast.
- 2.2. The RFO must each year, by no later than January, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Council.
- 2.3. The Council shall consider annual budget proposals in relation to the Council's three year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.
- 2.4. The Council shall fix the precept (Council tax requirement), and relevant basic amount of

Council tax to be levied for the ensuing financial year not later than by the end of January each year, earlier, if required by the billing authority.

- 2.5. The approved annual budget shall form the basis of financial control for the ensuing year.

### **3. BUDGETARY CONTROL AND AUTHORITY TO SPEND**

- 3.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by the Council for all items over £100. Such authority is to be evidenced by a minute.
- 3.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the Council, or duly delegated committee. During the budget year and with the approval of Council, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.
- 3.3. Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 3.4. The salary budgets are to be reviewed at least annually for the following financial year.
- 3.5. In cases of extreme risk to the delivery of Council services, the clerk may authorise revenue expenditure on behalf of the Council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of [£300]. The Clerk shall report such action to the chairman as soon as possible and to the Council as soon as practicable thereafter.
- 3.6. No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available and the requisite borrowing approval has been obtained.
- 3.7. All capital works shall be administered in accordance with the Council's standing orders and financial regulations relating to contracts.
- 3.8. The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared for each meeting of the Council.
- 3.9. Changes in earmarked reserves shall be approved by Council as part of the budgetary control process.

### **4. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

- 4.1. The Council's banking arrangements, including the bank mandate, shall be made by the RFO and approved by the Council; banking arrangements may not be delegated to a committee. They shall be regularly reviewed for safety and efficiency.
- 4.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to Council. The Council / committee shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the Council. Personal payments

(including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

- 4.3. All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Council.
- 4.4. The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading. The RFO shall take all steps to pay all invoices submitted, and which are in order, at the next available Council meeting.
- 4.5. The Clerk and RFO shall have delegated authority to authorise the payment of items only in the following circumstances:
  - a) If a payment is necessary to HMRC for PAYE or to avoid a charge to interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of Council, where the Clerk and RFO certify that there is no dispute or other reason to delay payment, provided that a list of such payments shall be submitted to the next appropriate meeting of Council;
  - b) An expenditure item authorised under 5.6 below (continuing contracts and obligations) provided that a list of such payments shall be submitted to the next appropriate meeting of Council;
- 4.6. In respect of grants a duly authorised committee shall approve expenditure within any limits set by Council and in accordance with any policy statement approved by Council. Any Revenue or Capital Grant in excess of £5,000 shall before payment, be subject to ratification by resolution of the Council.
- 4.7. Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable or other interest, unless a dispensation has been granted.

## **5. INSTRUCTIONS FOR THE MAKING OF PAYMENTS**

- 5.1. The Council will make safe and efficient arrangements for the making of its payments.
- 5.2. All payments shall be effected by cheque or other instructions to the Council's bankers, or otherwise, following approval by the Council.
- 5.3. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to Council shall be signed by two members of the Council. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question.
- 5.4. To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.
- 5.5. Cheques or orders for payment shall not normally be presented for signature other than at a Council or committee meeting (including immediately before or after such a meeting). Any signatures obtained away from such meetings shall be reported to the Council at the next convenient meeting.
- 5.6.
- 5.7. If thought appropriate by the Council, payment for certain items may be made by banker's

standing order provided that the instructions are signed, or otherwise evidenced by two members are retained and any payments are reported to Council as made. The approval of the use of a banker's standing order shall be renewed by resolution of the Council at least every two years.

5.8.

5.9. If thought appropriate by the Council, payment for certain items may be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories are retained and any payments are reported to Council as made. The approval of the use of BACS or CHAPS shall be renewed by resolution of the Council at least every two years.

5.10. If thought appropriate by the Council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment

5.11.

5.12. Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the Council's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Chairman of Council in a sealed dated envelope. This envelope may not be opened other than in the presence of two other Councillors. After the envelope has been opened, in any circumstances, the PIN and / or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all members immediately and formally to the next available meeting of the Council. This will not be required for a member's personal computer used only for remote authorisation of bank payments.

5.13. No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council or a duly delegated committee.

5.14. Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.

5.15. The Council, and any members using computers for the Council's financial business, shall ensure that anti-virus, anti-spyware and firewall, software with automatic updates, together with a high level of security, is used.

5.16. Where internet banking arrangements are made with any bank, the Clerk [RFO] shall be appointed as the Service Administrator. The bank mandate approved by the Council shall identify a number of Councillors who will be authorised to approve transactions on those accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.

5.17. Access to any internet banking accounts will be directly to the access page (which may be saved under "favourites"), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for Council banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.

5.18. Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by [two of] the Clerk [the RFO][a member]. A programme of regular checks of standing data with suppliers will be followed.

- 5.19. The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the Clerk or RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, after each .

## **6. PAYMENT OF SALARIES**

- 6.1. As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by Council, or duly delegated committee.
- 6.2. Payment of salaries and payment of deductions from salary such as may be required to be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions must be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that each payment is reported to the next available Council meeting, as set out in these regulations above.

## **7. LOANS AND INVESTMENTS**

- 7.1. All investments of money under the control of the Council shall be in the name of the Council.
- 7.2.
- 7.3. All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.
- 7.4.
- 7.5. Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with these regulations.

## **8. INCOME**

- 8.1. All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 8.2. The origin of each receipt shall be entered on the paying-in slip.
- 8.3. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 8.4. 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.

## **9. ORDERS FOR WORK, GOODS AND SERVICES**

- 9.1. An official letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 9.2. All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the

best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 10.1 below.

- 9.3. A member may not issue an official order or make any contract on behalf of the Council.
- 9.4. The RFO shall verify the lawful nature of any proposed purchase before the issue of any order, and in the case of new or infrequent purchases or payments, the RFO shall ensure that the statutory authority shall be reported to the meeting at which the order is approved so that the minutes can record the power being used.

## **10. CONTRACTS**

- 10.1. 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 this regulation need 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 goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
  - b. When it is to enter into a contract 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 £3,000 and above £300 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.
  - c. The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
  - d. Should it occur that the Council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the Council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.
- 10.2. The Proper Officer shall maintain a register of personal interests, in respect of both members and senior staff.
  - a. Members and senior staff should not, so far as is practicable, be involved in the award of orders and/or contracts with organisations or individuals in respect of which a personal interest exists, whether declared or not.
  - b. Members and senior staff should not, so far as is practicable, be involved in the making or authorising payments in respect of orders and/or contracts with organisations or individuals in respect of which a personal interest exists, whether declared or not.



## **11. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

- 11.1. 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).
- 11.2. 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.
- 11.3. 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.

## **12. ASSETS, PROPERTIES AND ESTATES**

- 12.1. The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

## **13. INSURANCE**

- 13.1. Following the annual risk assessment (per Financial Regulation 17), the RFO shall effect all insurances and negotiate all claims on the Council's insurers [in consultation with the Clerk.
- 13.2. The Clerk shall give prompt notification to the RFO of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 13.3. The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and annually review it.
- 13.4. The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.
- 13.5. All appropriate members and employees of the Council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined [annually] by the Council, or duly delegated committee.

## **14. RISK MANAGEMENT**

- 14.1. The Council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the Council, risk management policy statements in respect of all activities of the Council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Council at least annually.
- 14.2. When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

## **15. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS**

- 15.1. It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.
- 15.2. The Council may, by resolution of the Council duly notified prior to the relevant meeting of Council, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all members of Council.