

MELLS PARISH COUNCIL

FINANCIAL INSTRUCTIONS

These financial instructions were adopted by Mells Parish Council at its meeting held on 5 April 2011.

- These internal instructions have been drawn up to govern the conduct of financial and risk management by the Council and are designed to demonstrate how the Council meets these responsibilities. It is intended that they should only be amended by resolution of the Council. They should be reviewed every year and on the change of clerk/RFO.
- The Clerk, who has been appointed the Responsible Financial Officer, acting under the direction of the Council, shall administer the Council's financial affairs.
- At least once a year, prior to approving the Annual Return, the Council shall conduct a review of the effectiveness of its system of internal control by verifying that these Internal Instructions are being carried out.

1. Budget

- a). Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the Council.
- b). The Council shall review the budget not later than the end of January each year and shall fix the Precept to be levied for the ensuing financial year
- c). The annual budget shall form the basis of financial control for the ensuing year.
- d). The RFO shall provide the Council at the end of each financial quarter with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure against that planned as shown in the budget.

2. Book-keeping, Accounting and Audit

The RFO shall:

- a) ensure that the basic cash book is kept up to date and is written up from cheque counterfoils and paying in books.
- b) check the cash book record regularly against bank statements to provide control.
- c) regularly verify balances against bank statements
- d) check that the record agrees with supporting vouchers, invoices and receipts
- e) complete the annual financial statements of the Council, including the council's Annual Return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.

Adopted 5 April 2011

Annual review: Last reviewed April 2023

- f) ensure that there is an adequate and effective system of internal audit of the Council's accounting, financial and other operations.
- g) The Internal Auditor shall be appointed by and shall carry out the work required by the Council. The Internal Auditor shall be competent and independent of the operations of the Council. In order to demonstrate objectivity and independence, the Internal Auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Council. **(See Appendix I)**

3. Banking Arrangements And Cheques

- a) The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- b) Cheques drawn on the bank account shall be signed by two members of Council and countersigned by the Clerk.
- c) To indicate agreement of the details shown on the cheque for payment with the counterfoil and the invoice, the signatories shall each also initial the cheque counterfoil and invoice.

4. Payment Of Accounts

- a) Expenditure should only be incurred following the minuted purchase authority of the Council.
- b) All payments shall be effected by cheque drawn on the Council's bankers.
- c) All invoices for payment shall be examined, verified and certified by the Clerk and analysed to the appropriate expenditure heading
- d) The Clerk shall take all steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.
- d) All payments by cheque shall be approved by the Council and minuted
- e) 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 (for example for postage or minor stationery items) shall be refunded at least quarterly.

5. Payment Of Salary

- a) The Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The Clerk's salary shall be paid as agreed by Council on the appropriate dates stipulated in the employment contract, provided that each payment is reported to and ratified by the next available Council Meeting.

- b) Formal agreement of changes to Clerk's contract of employment should be minuted.

6. Income

- a) The collection of all sums due to the Council shall be the responsibility of the RFO.
- b) The RFO shall promptly complete any VAT Return that is required. Any repayment claim due shall be made at least annually coinciding with the financial year end.

7. Orders For Work, Goods And Services

- a) An official order or letter shall be issued for all work, goods and services following minuted authorisation by the Council. Copies of orders shall be retained.
- b) The RFO is responsible for obtaining value for money at all times and shall ensure as far as practicable that the best available terms are obtained in respect of each transaction usually by obtaining three quotations or estimates from appropriate suppliers

8. Assets

- a) The RFO shall ensure that an appropriate and accurate Register of Assets is kept up-to-date. The continued existence of tangible assets shown in the Register shall be verified at least annually.

9. Risk Management

Council members should regularly:

- a) take steps to identify and update key risks facing the Council:
 - i) Security for vulnerable buildings (Barn, Recreation Ground buildings), amenities or equipment
 - ii) Banking arrangements
 - iii) Ad hoc provision of facilities for events to local community groups (Barn, Recreation Ground)
 - iv) Review Annual insurance:
 - α) Check protection of physical assets for loss or damage
 - β) Risk of damage to third party property or individuals (public liability)
 - γ) Risk of need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss)
 - δ) Loss through theft or dishonesty (fidelity guarantee)
 - ε) Legal liability as a consequence of asset ownership (public liability)

- b) take steps to avoid things going wrong by:
 - i) keeping proper financial records
 - ii) ensuring that all requirements are met under employment law and Inland Revenue regulations
 - iii) ensuring VAT requirements are met
 - iv) ensuring the adequacy of the annual precept with sound budgeting arrangements
 - v) proper, timely and accurate reporting of council business in the minutes
 - vi) responding to electors wishing to exercise their rights of inspection
 - vii) having a Register of Members' Interests in place, complete, accurate and up-to-date

- c) evaluate the potential consequences to the Council if an event identified as a risk takes place (*high, medium or low impact*).

- d) evaluate the likelihood of a risk occurring (*high, medium, low risk*)

- e) decide upon appropriate measures to avoid, reduce or control the risk or its consequences, ie:
 - i) up-to-date and relevant Standing Orders and Internal Instructions
 - ii) Annual review by Internal Auditor
 - iii) Up-to-date register of assets and investments
 - iv) Regular maintenance arrangements for physical assets
 - v) Annual review of risk and the adequacy of cover
 - vi) Ensuring the robustness of insurance providers

INTERNAL AUDIT

- Council is no longer required to review the effectiveness of system of internal audit annually.

1. Scope

The scope of the internal audit covers the Clerk's management of the Council's financial affairs and risk management.

2. Independence

The internal auditor has no involvement in the financial decision making, management or control of the Council.

3. Competence

- a) The internal auditor (IA) should have an understanding of basic accounting processes and should understand that his/her role is to review the systems rather than undertaking detailed checks.
- b) The IA should be aware of risk management issues.
- c) The IA should have an understanding of accounting requirements and of the legal framework and powers of local councils.

4. Requirements

The Internal Auditor shall, on a 'test-check' basis:

- a) **(Budgetary controls)**
 - i) verify that a budget has been properly prepared and adopted in setting the precept
 - ii) see regular reports of expenditure of Council and variance from budget analysis.
- b) **(Accounting and Audit)**
 - i) check year end balance and their reconciliation in detail
 - ii) check that an appropriate accounting basis is used and that figures can be followed through on working papers and that adjustments, transfers are fully explained or justified by verifying a small sample and the totals
- c) **(Banking arrangements and cheques)**
 - i) verify that proper purchase authority by the Council is in place.
 - ii) Verify that supporting paperwork confirms that there is a fully approved invoice and authorisation for payment

- d) **(Payment of accounts)**
 - i) check that verification of book keeping system has been undertaken

- e) **(Payroll controls)**
 - i) seek reassurance that system is delivering correct payments for clerk's salary.
 - ii) check evidence that Council has recorded formal agreement of changes to clerk's contract of employment.

- f) **(Income controls)**
 - i) look for evidence that precept and grant income is properly and promptly received
 - ii) verify operation of checks and balances for cash income
 - iii) check that VAT is identified for reclaim.

- g) **(Orders)**
 - i) test where appropriate that the correct number of estimates have been obtained and that authorisation has been minuted.

- h) **(Assets control)**
 - i) seek evidence that the continuing existence of assets is checked on a regular basis.

- i) **(Risk management).**
 - i) review effectiveness of Council's control measures for risk management
 - ii) check minutes for any suggestion of unusual activity and for evidence that risks are being identified and managed
 - iii) review of minutes to ensure legal powers are available, and the basis of the powers recorded and correctly applied
 - iv) review and testing of arrangements to prevent and detect fraud and corruption
 - v) review of management arrangements regarding insurance cover
 - vi) submit an annual report to the council including any recommendations for improvement in standing orders or internal instructions.

5. Aims

- a) To observe and report whether the system of financial control put in place by the Council is adequate and working satisfactorily.
- b) To assist the Council in fulfilling its responsibility for the prevention and detection of fraud, error or mistakes.