

WMPC Finance Internal Control Process Review 1 November 2021

These recommendations have been reviewed and agreed by the Finance and General Purpose Committee on 1 November 2021.

1) Issue: Payments should be prior approved although Council meets once every 2m

Recommendations

- i) Financial Regulations 4.1 delegates power to approve payments to the Clerk and Chair up to a limit of £300. It is recommended that this limit is increased to £500 which is in line with many local councils
- ii) For payments higher than £500 it is recommended that the Finance and General Purpose committee terms of reference be updated to mirror the Financial Regulations 4.1 to delegate approval of payments up to £5,000.
- iii) For regular monthly payments it is recommended that these are made by standing order in line with existing Fin Reg 6.7
- iv) All payments of salaries, statutory deductions and voluntary deductions must be recorded in a confidential cash book and only the total reported to the full council in line with existing Fin Reg 7.4
- v) For utility charges it is recommended that these payments are made by Direct Debit in line with existing Fin Reg 6.6
- vi) For other regular payments such as the Handyman, it is recommended that a value is pre authorised up to 12 months in advance by the full council
- vii) Evidence of such approvals should be minuted at the next full council meeting by way of a payments table
- viii) Financial Regulations 4.2 must be complied with so no payments may be authorised that exceed the revenue budget without prior approval of the full council

2) Issue: Payments shall be affected by cheque (Fin Regs 6.3)

Recommendation

- ix) Fin Regs 6.3 should be updated to reflect payment methods vi & vii above
- x) Fin Regs 6.3 should be further updated to allow for electronic payment of invoices with two bank mandated approvers per Fin Regs 6.9
- xi) Internet banking process should be set up in accordance with Fin Regs 6.14 to 6.16
- xii) Evidence of such payments should be minuted at the next full council meeting by way of a payments table
Fin Regs 5.2

Annex 1 – Extract of W MPC Financial Regulations showing proposed updates

4. Budgetary control and authority to spend

4.1. 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 £5,000;
- a duly delegated committee of the council for items ~~over~~ up to £5,000; or
- the RFO, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below ~~£300~~ £500

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the RFO, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.2. 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 having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

4.3. Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.

4.4. The salary budgets are to be reviewed at least annually for the following financial year.

4.5. In cases of extreme risk to the delivery of council services, the RFO may authorise revenue expenditure on behalf of the council which in the RFO'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~~ £500. The RFO shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

4.6. 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.

4.7. All capital works shall be administered in accordance with the council's standing orders and financial regulations relating to contracts.

4.8. 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.

4.9. Changes in earmarked reserves shall be approved by council as part of the budgetary control process.

5. Banking arrangements and authorisation of payments

5.1. 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.

5.2. 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 shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council.

5.3. 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.

5.4. The RFO shall examine invoices for arithmetical accuracy and analyse them to the appropriate expenditure heading.

6. Instructions for the making of payments

6.1. The council will make safe and efficient arrangements for the making of its payments.

6.2. Following authorisation under Financial Regulation 5 above, the council, a duly delegated committee or, if so delegated, the RFO shall give instruction that a payment shall be made.

6.3. ~~All payments shall be affected by cheque.~~ Payments may be made by Cheque, Standing Order, Direct Debit or internet banking in line with Financial Regulations 6.4, 6.5, 6.6, 6.7, 6.9, 6.14 & 6.15

6.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two members.

6.5. 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.

6.6. If thought appropriate by the council, payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two members and any payments are reported to council as made.

6.7. If thought appropriate by the council, payment for certain items (principally salaries) 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.

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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.

6.12. 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.

6.13. 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.

6.14. Where internet banking arrangements are made with any bank, the 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.

6.15. 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.

6.16. 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 members.

6.17. Any Debit Card issued for use will be specifically restricted to the RFO and will also be restricted to a single transaction maximum value of [£300] unless authorised by council or committee in writing before any order is placed.

6.18. A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the council. Transactions and purchases made will be reported to the Council and authority for topping-up shall be at the discretion of the Council.

6.19. Any corporate credit card or trade card account opened by the council will be specifically restricted to use by the RFO and shall be subject to automatic payment in full at each month-end. Personal credit or debit cards of members or staff shall not be used under any circumstances.

6.20. The council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by the RFO (for example for postage or minor stationery items) shall be refunded on a regular basis, at least quarterly.

OR

~~6.21. The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement.~~

~~a) The RFO shall maintain a petty cash float of [£250] for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.~~

~~b) Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.~~

~~c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to council under 5.2 above.~~

7. Payment of salaries

7.1. 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.

7.2. 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.

7.3. No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.

7.4. Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded in a separate confidential record (confidential cash book). This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:

- a) by any councillor who can demonstrate a need to know;
- b) by the internal auditor;
- c) by the external auditor; or
- d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

7.5. The total of such payments in each calendar month shall be reported with all other payments as made as may be required under these Financial Regulations, to ensure that only payments due for the period have actually been paid.

7.6. An effective system of personal performance management should be maintained for the senior officers.

7.7. Any termination payments shall be supported by a clear business case and reported to the council. Termination payments shall only be authorised by council.

7.8. Before employing interim staff, the council must consider a full business case.

Annex 2 – WMPC F&GP Committee Terms of Reference showing proposed updates

STANDING COMMITTEES

DELEGATION ARRANGEMENTS AND TERMS OF REFERENCE

DELEGATION ARRANGEMENTS

Subject to the observance of decisions of the Council on matters of principle or policy, the Council's powers and duties shall be delegated to the Standing Committees, as permitted under the Local Government Act 1972 s101, in accordance with the approved Terms of Reference unless otherwise stated.

Standing Committees will operate within approved Standing Orders, Financial Regulations and other policy documents and procedures. The Council may

revoke powers delegated to a Standing Committee by resolution. Non Council members may also be co-opted onto all Committee's except F & GP and Planning and have voting rights, subject to the Approval of full Council.

Terms of Reference - Finance and General Purposes Committee

To draft a 3-year financial plan.

To consider the Annual Budget and setting of the Parish Precept in order to present to full council at the January Parish Council meeting.

To ensure the Council's Standing Orders, Financial Regulations and Risk Management are adequate and reviewed on a regular basis in conjunction with the Clerk/RFO.

To provide Revenue and Capital grants, as requested.

To carry out a review of Parish Council policies and procedures and recommend to full council for Approval.

To monitor Cemetery Charges and recommend changes to full council for Approval, when necessary.

To monitor Allotment fees and recommend changes to full council for Approval, when necessary.

To carry out a review of the Parish Council's Asset Register.

To approve payments that are within the budget class of expenditure up to £5,000 and provide the Council with a report of such approvals at each meeting