

A Policy for Tredegar Town Council

The control of the Council's finances is traditionally regarded as a potentially high-risk area and both Financial Regulations and this Policy are designed to identify and reduce this risk to an acceptable level where possible but it will never be possible to nullify all the risks.

The Council has in place a R.F.O. (Responsible Financial Officer) separate to the Clerk. This division of duties assists with maintaining good practice as proposed in Governance & Accountability for Local Councils in Wales (G.&A.) – A Practitioners' Guide (2019). The role and responsibility of Members in this respect is described as follows:-

“The appointment of an R.F.O. does not mean that Members then have no responsibility for the financial health of the Council. Members continue to be accountable for ensuring that the Council does not live beyond its means. The R.F.O. however, designs and implements the accounting arrangements that will assure Members that finances are being properly managed.”

With this in mind, there are several areas which need to be addressed by the Council and agreed procedures need to be followed not just by the R.F.O. but also by the Clerk and Members to ensure that risk to the Council's finances is minimal.

Processes available to mitigate risks include segregation of duties, monthly and annual reconciliations, witnesses to transactions, approval systems in place (signing of documents, minutes), matching documentation, internal security systems and the secure keeping of equipment and financial records/documentation. These are regularly reviewed by the office with any potential issues identified and addressed as an ongoing process.

Bank Account Monitoring and Control:-

The current Bank mandate in place states that the named signatories for Council are the Mayor, Deputy Mayor, Leader, Deputy Leader, Chair of Finance and Staffing, Clerk and R.F.O. with a minimum of 2 of these signatures required on banking transactions such as cheques or transfers.

Control of the Council's bank accounts are and will always be a potentially high risk area and to a degree the Council will be reliant on the good integrity and honesty of the Officers it employs. There is a requirement for internal check and other control procedures to be implemented (as detailed below), to mitigate the level of risk as much as possible but the movement by Banks away from branch-led to online services increases the risks in this area. There are several procedures required to access the online services with both the R.F.O. and Clerk able to undertake this access. However, there is currently no security measure in place for a Member to independently ratify account transactions as part of the process. This increases the risk of potential fraud or loss through collusion by staff and money could easily be “moved” between accounts for a period of time before Council would become aware of what was happening. This can be addressed by discussing appropriate additional control procedures with the Bank with the Council meeting any additional bank charge costs that may be necessary to provide a properly safeguarded dual authorisation transaction process. Until such approved process measures are in place, a proposed procedure for online control is shown below.

A procedure for control and monitoring is as follows-

- **Bank Mandate**

- New Bank mandate approved at A.G.M. of Council with R.F.O actioning at Bank.
- Council approve signatories as 5 Members of Council – Leader, Deputy Leader, Mayor, Deputy Mayor & Chair of Finance and Staffing. (Annual rotation due to change of Mayor, Deputy Mayor & Chair of Finance and Staffing)
- Council approve the 2 Officers – Clerk & R.F.O. – as signatories on the mandate for day to day control of the accounts and contingency cheque signatories (as/when required with prior approval of the other four signatories) permitting direct communication between the Bank and Officers to resolve any banking issues/queries.

- **Cheques**

- Cheques are to be signed by **2** Councillors named as signatories - (as per G. & A. 2019 Chapter 13 No. 13.10). An Officer may be the second signatory, with prior approval - preferably by email, from Leader and Mayor required - if the cheque is of an urgent nature and no second Councillor signatory is available.
- Exceptions when the two Officers of Council can be the sole two signatories: When a replacement cheque needs to be issued or an urgent payment is required, prior approval by two out of the other four Senior signatories (Leader, Deputy Leader, Mayor and Deputy Mayor), preferably by email, is required and payment is brought to the attention of Council at the next available meeting for ratification, with an urgent payment reason specified.
- Cheques are to be issued following approval at the Ordinary Meeting.

- **Transfer of Funds**

- Only online transfers between accounts are available.
- Monthly transfer by the R.F.O. following Council's approval of the payments.
- Transfer done in the presence of/witnessed by one of the approved signatory Members, or the Chair of the Finance Sub-Committee, plus the Clerk or two of the approved Member signatories.
- Transfer witnesses to check bank account details and amount to be transferred prior to on screen confirmation being completed.
- Transfer amount with the appropriate account details to be set out in a letter signed by those present at the transfer including the R.F.O..
- Transfer letter is filed with the invoices for that financial year and the transaction recorded in the Receipts Ledger.
- **Emergency Variation** (e.g. pandemic restrictions): Continue with two staff members physically present but with one approved Member online via video link; above steps to be followed as normal; R.F.O. to screen shot an image (if possible) which records the details (time/date) of the video call and attach to the transfer letter for filing.

- **Bank Reconciliations**

- Bank statements printed from online access at the time of the above transfer process with witnesses present.
- On receipt of any statements the R.F.O. is to promptly carry out the bank reconciliation.
- Process: Match payments made and received listed in the appropriate ledgers (Receipts & Payments), whilst also checking the amounts match, with those listed on the bank statement.
- Write the payee's name next to the relevant cheque number on Bank Statement and place a tick next to that cheque number in the Payments Ledger.
- Write the payer's name next to the relevant receipt voucher number on Bank Statement and place a tick next to that receipt in the Receipts Ledger.
- R.F.O. to initial the top corner of Bank Statement to confirm all items matched and completion.
- Reconciliations are reported at the next Ordinary Meeting and presentation duly minuted by the Clerk.
- Completed reconciliations are filed with the accounts for relevant financial year and must be available to the Internal Auditor/External Auditor at all times.
- An amalgamated bank reconciliation is produced at each year end and submitted with the Annual Return.

- **Control of online service**

- R.F.O. has personal access/control of the online card – carried in her possession, only left onsite at Bedwellty House during annual leave/sickness. **NB this is not a debit or credit card.**
- Other items required for online access are stored in the locked safe drawer, accessible only by the Clerk and the R.F.O.. Members will note that this division of items is to limit access by an individual officer but clearly it does not fully secure the process as one officer (the R.F.O.) will retain the card and therefore can gain full access without the Clerk being present. This will represent an on-going risk to both the Council and R.F.O.. **Mitigating The Risk:** The safe is

located in the downstairs Registrar's office, covered by an internal recording CCTV camera above that room's door which can be used to identify Council employees gaining access to the safe during/outside of working hours.

- Online services access: Where possible only once a month to transfer funds and print statements; completed by R.F.O. in the presence of two witnesses - approved signatory Members, Chair of Finance and Staffing Sub-Committee, Clerk - with those present signing the dated documentation to confirm transaction.
- Witnesses: Check, on screen, that date of last access matches last witnessed transactions; witness the R.F.O. signing out of online services.
- An online transaction print out i.e. transfer confirmation should be retained with the above document and if this does not show the date/time of access then a manual record of these details should be kept.
- **Emergency Variation** – to resolve cheque related queries: completed by R.F.O. in the presence of one witness (either an approved signatory Member, Chair of Finance and Staffing Sub-Committee, or the Clerk) with the witness signing the dated documentation to confirm the form of activity taken place. The documentation will be filed in the bank transaction section of the accounts. The witness is also to check, on screen, that date of last access matches last witnessed transactions; and witness the R.F.O. signing out of online services.

Processing of Salaries:-

Payroll is outsourced to an external agency which processes the monthly salaries, pensions, N.I. and P.A.Y.E. liabilities. These are then deducted direct from the Council's Business Current Bank Account as BACS payments and paid direct to the recipient.

To maintain segregation of duties, the Clerk manages and reports all staffing related changes to Council for approval and the R.F.O. actions the approved changes. The R.F.O. is the designated contact with the payroll company and must therefore inform the payroll company of any changes in staff payroll, which have been agreed and minuted by Council, in a written format i.e. letter/email/spreadsheet, with a copy of these notified changes filed. The letter/email/spreadsheet must specify the necessary change and the date from which it is to take place from.

A procedure for control and monitoring is:-

- **Timesheets**

~~○ No monthly timesheets are completed by the Officers~~

- Staff basic contract hours are Clerk 22 hours per week office based, 6 hours per month for meetings; R.F.O. 22 hours per week office based, 2 hours per month for meetings; ~~Gardener 137 hours per annum~~; All wages are salaried.

Emergency Variation (e.g. pandemic restrictions): Flexible base working for office staff, between home working and office.

- Evidence of days/times attended in office are recorded in the in/out log located in reception at Bedwellty House.
- Overtime: Listed on a separated overtime form or printed email specifying officer, where and why it was undertaken – **NB. Overtime is to be approved by either the Leader/Deputy Leader/Mayor/Deputy Mayor prior to being undertaken by the Officer.**

- By the 14th of each month: R.F.O. uploads basic payroll data with any additional pension payments plus approved overtime (Member signed overtime sheet or printed approval email must be produced to the R.F.O. for this additional payment) to the payroll company portal "myePayWindow". NB. All overtime must be stated in hours and to the nearest quarter of an hour (rounded down).

- **Payments**

- Payroll company releases the breakdown of the monthly payroll expenses and payslips on the "myePayWindow" portal and emails the employee direct to confirm that month's payslip is available to download from the employee's individual "restricted" portal account.

- R.F.O. checks basic pay and overtime amounts paid are correct.
- R.F.O. submits the breakdown of the monthly payroll expenses at the next Ordinary Meeting as part of the Schedule of Payments.
- Following Council's approval, the payroll company makes the payments via BACS – Officers wages paid on last working day of each month, N.I./PAYE & Pensions on 19th of the following month.
- R.F.O. records these transactions in the Payments Ledger for relevant month.
- R.F.O. reconciles the Payments Ledger transactions with the bank statements, as part of the bank reconciliation, to identify any discrepancies.
- Monthly: R.F.O. submits two reports to Torfaen Pensions - CARE form and employer/employee pension contributions plus additional payments.
- Annually: R.F.O. reconciles all pension payments made, completing the end of year report for the pension scheme suppliers.

As part of the Internal Audit, a sample of the payroll will be selected by the Internal Auditor to confirm that deductions made by the payroll company are accurate and the appropriate accounting entries have been made.

Petty Cash:-

Petty cash is maintained using an Imprest system with a float of £100.00p, controlled by the R.F.O. A lockable tin containing the petty cash is in the Council's safe and the R.F.O. holds the key for the tin.

Procedure for control and monitoring:-

- **Using Petty Cash**
 - Purchases made are to be for minor items only.
 - A receipt, and where possible the purchased item, produced to the R.F.O. prior to any reimbursement being made.
 - R.F.O. writes a petty cash voucher for the receipt which is duly signed by the purchaser to confirm reimbursement for the item.
- **Reimburse Petty cash system via Imprest**
 - Float to be reimbursed when at least £50.00p has been spent.
 - R.F.O. reconciles the receipts and remaining cash to £100.00p.
 - Clerk signs all the submitted petty cash vouchers to confirm they match the attached receipts.
 - R.F.O. submits the receipts with a cheque request form, for the total amount of the receipts, at the next Ordinary Meeting as part of the Schedule of Payments.
 - Following approval, R.F.O. will cash the cheque at the bank to replenish petty cash.
 - All transactions are recorded in the Payments Ledger and Petty Cash Journal Ledger
 - At Year End: Petty Cash Journal Ledger and Payments Ledger are reconciled with the Petty Cash float for inclusion in the final year end accounts.

NB: Where it has been necessary for the R.F.O. to make the purchase of items to be reimbursed by petty cash it will be the responsibility of the Clerk to confirm the item and receipt have been produced as evidence of the purchase. This can be done by countersigning the petty cash voucher.

Grants:-

- All completed grant forms/requests are recorded in "Incoming Correspondence" and given to the R.F.O.
- R.F.O. checks, in the Payments Ledger, when association last received a grant and records the date, amount and cheque number on the form.
- R.F.O checks that association as supplied all the supporting documentation required, as per Council's Grant Policy.
- Clerk or R.F.O. submits the grant form at the next appropriate Meeting.
- Following approval with the amount minuted by the Clerk, the grant form is returned to the R.F.O.

- Council may agree a grant in principle pending further information or the association meeting specified criteria. Approval to release this grant on receipt/meeting of the above may be delegated to the office.
- R.F.O. includes the grant in the Schedule of Payments as per the Payment Process below.

Purchasing:-

- **Quotes**

Both Standing Orders and Financial Regulations give full guidance on any delegated purchasing authority and procedure for “Contracts”. Below is a summary with the reporting procedure confirming approved practice:

- Under £500: Best value by Clerk or RFO, with search evidence and reported to Council at next appropriate meeting. Delegated powers to purchase day to day operational purchases and public convenience repairs under £500.
 - £500 to £1,500: Strive to obtain at least three estimates.
 - £1,500 and £50,000: Strive to obtain at least three quotations.
 - Over £50,000: Tender process, striving to obtain at least three tenders from an approved tender list.
 - Details of the received estimates/quotes/tenders, including costing but excluding company information will be submitted to the Finance Committee for a recommendation to be made to Council or to Full Council if no Finance Committee is being held in time to receive them first.
 - On approval – and minuted - a letter/email of acceptance and order number (issued by the R.F.O.) will be sent to the successful supplier.
 - A copy of the order will be kept in the R.F.O.’s payments file.
 - All estimates/quotes/tenders remain on file for twelve years.
- **Processing of Orders**
 - The item to be ordered and cost sourced by the Clerk or R.F.O.
 - R.F.O. issues an order specifying the requirement, associated costs and delivery details in the form of an official order, email or letter.
 - Record of how order was sent i.e. post/email/fax and date sent is to be kept.
 - Copy of the order placed within the payments file.
 - **Receipt of Orders and invoices**
 - Clerk or R.F.O. checks the goods received against the G.R.N. (Goods Received Note) and initial to confirm the items received.
 - R.F.O. checks the G.R.N. against the order to confirm all items have been received.
 - The G.R.N. is to be attached to the order copy in the payments file.
 - On receipt of the invoice: R.F.O. matches the invoice to the correct order, checking that all the items received have been invoiced for at the agreed amount.
 - Invoice is attached to the order and G.R.N., placed back into the payments file.

Payment processing:-

A procedure for control and monitoring:-

- All invoices are recorded in “Incoming Correspondence” and given to the R.F.O.
- Invoices are placed in the payments file, where necessary/possible matched and checked against the relevant order by the R.F.O.
- Monthly: R.F.O. selects all invoices, petty cash, payroll and grants due for payment.
- Each invoice/payment advice to be paid will be stamped using a “PAID” stamp.
- Expected payment date (usually Ordinary Meeting date) is written within the “PAID” stamp.
- A cheque is written for the invoice and the cheque number written within the “PAID” stamp. Where possible, our customer account number and/or order number is written on the cheque rear to avoid miss-payment.
- Either the Clerk, Leader or Mayor matches the details on the cheques to the details on the invoices and initial the invoices by the “PAID” stamp to confirm they match.

- R.F.O. produces monthly Schedule Of Payments to be submitted to Council at that month's Ordinary Meeting. Composite of Schedule: details of the payee, reason for payment, cheque number/payment method, amount, Power for the payment, total for the month and a running total for the year.
Emergency Variation (e.g. pandemic restrictions - Council are unable to hold meetings): Continue to follow first seven steps as normal; at this point (step 8) the R.F.O. produces the Schedule of Payments which is to be emailed/posted to all Members, opening it up for any queries or refusal of payments. Following resolving of queries and provided there are no refusals, the payments are processed/posted out with the Schedule of Payments being ratified at the next available meeting.
- Reconciliation of invoices and cheques with the Schedule Of Payments to be done by the Leader or Mayor prior to/at the Meeting. **Emergency Variation:** When signing the cheques.
- Schedule of Payments submitted to Council for approval and approval duly minuted by the Clerk.
- Following approval, 2 of the approved Member signatories (NB. Not Officers of the Council) – sign the cheques and initial the cheque counterfoils.
- ~~When~~ if possible, the following day the R.F.O. will post the cheques to the relevant recipients with their statements (if available) or our order/account details with the cheque.
- All post recorded in the postage book.
- R.F.O. records all the payments in the Payments Ledger for the month, sub-totalled under the relevant account headings for the month and totalled to date for the financial year.
- R.F.O. transfers monthly sub-totals to appropriate headings on the accounts' spread sheet and totals to date checked.

Income:-

There is a limited amount of income received by Council and it mainly consists of the Precept, VAT reimbursement, allotment rental or grants. All of these come in the form of a cheque or direct bank transfer but there is some cash received because of the Council's fundraising activities. When possible, all fundraising activity collections are processed through the Mayor's Appeal to maintain separation and identification of these funds from the normal running activities of Town Council. Whether cheque or cash this must all be promptly banked and recorded in the same way although the initial treatment is slightly different for cash (this applies to both Town Council and Mayor's Appeal).

- **Cash Received**
 - R.F.O. counts and bag, according to its monetary value, all cash received.
 - A list of each monetary amount compiled i.e. £10 = £30, 50p = £3.50p. Details of payee/where money has come from included on the list – e.g. A.F.D. collections
 - All the amounts will be totalled together.
 - Clerk counts the money, matching each amount against the list, reconciling the total amount.
 - Both Clerk and R.F.O. initial the list.
 - R.F.O. completes a banking voucher, recording the voucher number and date of banking on the list of amounts.
 - Following banking: Amount and payer details are recorded in the Receipts Ledger.
 - Compiled initialled list filed in the invoices file for the financial year it relates to.
 - Receipts are matched with the bank statement as part of the bank reconciliation process.
- **Cheques Received**
 - R.F.O. completes a banking voucher, recording the voucher number on the remittance advice received with the cheque.
 - Following banking: Amount and payer details are recorded in the Receipts Ledger.
 - Remittance slips filed in the invoices file for the financial year it relates to.
 - Receipts matched with the bank statement as part of the bank reconciliation process.

NB. Where the money banked is as a result of fund raising by the Council there will be a cross reference written into the Receipt and Payments Ledgers to show the banked money being paid out to the Mayor's Appeal – usually as soon as possible after all the monies has been banked.

Internal Audit:-

- Council recommends an Internal Auditor at the Council's A.G.M. of Council for the forthcoming financial year with appointment being made (approximately June) following the review of past internal audit services and pending agreement of terms of engagement/appointment.
- Appointed Auditor must be independent of the Council; must not be involved in the Council's management or administrative roles.
- Internal Audit requirements: Giving consideration to the anticipated thematic assertions for the forthcoming financial year, are to be agreed by Council and Internal Auditor in advance of commencing work for the forthcoming year.
- On first appointment by Council, an engagement letter between the Internal Auditor and Council stating the scope of the audit, term of engagement and remuneration is to be completed.
- If required, periodic visits by the Internal Auditor will be arranged to verify the assurances specified in the Annual Return, with Internal Auditor reports considered at the next appropriate Performance Review Committee (Full Council).
- Areas of concerns highlighted by the Internal Auditor are to be reported to Council; any recommendations in respect of existing procedures will be considered and where agreed, implemented by Council.
- Following completion of Annual Return, Council is to review the work of the Internal Auditor.

The Internal Auditor's role also includes the verification of the Council's accounts and Governance on the Annual Return prior to submission of the Return to the External Auditor.

This Policy has been set following the guidelines of the Governance and Accountability for Local Councils in Wales – A Practitioners' Guide (2019) and is to be reviewed annually by Council.

Annette Edwards

R.F.O.

25th February 2025