

## **KINGSTON PARISH COUNCIL FINANCIAL REGULATIONS**

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These Financial Regulations were adopted by the council at its meeting held on 12 March 2024.

## **1. General**

1.1. These financial regulations govern the conduct of financial management by Kingston Parish Council ('KPC') 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

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 its officer.

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 Governance Statement, 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 the council are expected to follow the instructions within these Regulations and not to entice an employee to breach them. Failure to follow instructions within these Regulations brings the office of councillor into disrepute.

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 KPC 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 in consultation with 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 shall be sufficient to show and explain the council's transactions and to enable the RFO to ensure that any record of receipts and payments and additional information, or management information prepared for the council from time to time complies with the Accounts and Audit Regulations.

1.11. The accounting records shall in particular contain:

- entries of all sums of money received and expended by the council and the matters to which the receipts and payments account relates;
- 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 shall include:

- procedures to ensure that the financial transactions of the council are recorded in a timely manner;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- identification of the duties of the officer/councillors dealing with financial transactions;
- procedures to ensure that uncollectable amounts are submitted to the council for approval to be written off and 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 the following shall be a matter for the full council only:

- setting the final budget or the precept (council tax requirement);
- approving accounting statements;
- approving an annual governance statement;
- borrowing;
- writing off bad debts;
- declaring eligibility for the General Power of Competence; and
- addressing recommendations in any report from the internal or external auditors.

1.15. In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, 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 - a Practitioners' Guide (England)* issued by the Joint Practitioners Advisory Group (JPAG) (available from the websites of NALC and the Society for Local Council Clerks (SLCC)).

## **2. Accounting and audit (internal and external)**

2.1. All accounting procedures and financial records of the council shall be determined by the RFO in consultation with the council, and in accordance with the Accounts and Audit Regulations, appropriate guidance, and proper practices.

2.3. 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 Regulations.

2.4. 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.

2.5. 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. KPC's requirements are outlined in its *Guidance on the Function and Requirements for Internal Audit* document attached at Appendix 2.

2.6. The internal auditor shall:

- be competent and independent of the financial operations of the council;
- report to the 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

2.7. 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.

2.8. For the avoidance of doubt, in relation to internal audit the terms 'independent' and 'independence' shall have the same meaning as is described in proper practices.

2.9. 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 the Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.

2.10. The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

### **3. Annual estimates (budget)**

3.1. The RFO must each year 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. This is to be supplied to all councillors for consideration, in good time to enable the budget to be approved by the council at its January bi-monthly meeting.

3.2. Details of the calculations and supporting documents for the budget figures shall be made available to the Chair and to other councillors as requested.

3.3. 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, or by such other date as the District Council stipulates. The RFO shall issue the precept to the District Council and shall supply each member with a copy of the approved annual budget.

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

#### **4. Budgetary control and authority to spend**

4.1. Expenditure on revenue items must be authorised in advance by councillors, but this can be by majority decision in accordance with the council's standing orders. If necessary, authorisation may be carried out by email or similar means, but is subject to formal approval at the next available bi-monthly council meeting.

1.1. Council members and employees must obtain authorisation for incurring any expenditure on Council business. This authorisation must be in advance for any item exceeding £50.00. Reasonable expenditure will be reimbursed subject to approval and the submission of valid receipts.

1.2. Reimbursement of expenditure incurred by the Parish Clerk or any other employee or Member is to be in accordance with the guidelines in Appendix 1.

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.

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 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. The statement is to include a reconciliation to the bank account balances at the appropriate date. These statements are to be prepared in the form of a bi-monthly report to be circulated to all councillors in advance of the bi-monthly council meetings.

#### **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. They shall be regularly reviewed.

5.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the bi-monthly council meetings and, together with the relevant invoices, present the schedule to the council. The council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council, and the approved schedule will be included in the Minutes of the Meeting.

5.3. All invoices for payment shall be examined and verified 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 in KPC's accounting records.

## **6. Instructions for the making of payments**

1.3. All banking and savings/investment accounts are to be held in the name of Kingston Parish Council.

1.4. Accounts may only be opened or closed with the approval of the Council.

1.5. There are to be a minimum of three authorised signatories for all accounts, two signatures being required to authorise withdrawals or payments. Withdrawals and payments may be made by cheque or by using the on-line banking system, however it is expected that normally all transactions will be made online. Cheques are to be used only in exceptional circumstances.

1.6. The Parish Clerk is the administrator for the Parish Council bank accounts and is responsible for updating the mandate to reflect changes in councillors.

1.7. The Parish Clerk is the administrator for the online banking system for the Council, and will maintain it such that:

1.7.1. All Parish Councillors and the Clerk, (or such lesser number as is dictated by the limits of the bank's system) are users with full access.

1.7.2. All Parish Councillors (or such lesser number as is dictated by the limits of the bank's system) are signatories. The Clerk cannot be a signatory.

1.7.3. Online payments require authorisation by any two signatories.

1.7.4. Transfers between accounts can be made by the Clerk without further authorisation. The Clerk will use this facility to maintain an appropriate balance in the current account sufficient to cover the short-term foreseeable need to make payments.

1.8. Any transactions on the online banking system will normally be initiated by the Clerk in their capacity as Responsible Financial Officer and other persons with authorised access to the system will not normally initiate transactions without the knowledge and agreement of the Clerk.

1.9. If the maximum number of users or authorisers is limited by the bank's system to less than 5, then the actual Councillors who are to be users or authorisers shall be determined by a meeting at which all Councillors are present.

6.21. The council will not maintain any form of cash float. Any payments made in cash by the Clerk (for example for postage or minor stationery items) shall be refunded on a regular basis on submission of an expense claim to the council (see Appendix 1).

## **7. Payment of salaries**

1.1. 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 Parish Clerk's salary is to be reviewed and approved annually by the Council. This review will be carried out with reference to national pay scales (for example as recommended by NALC National Association of Local Councils).

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.

## **8. Loans and investments**

8.4. All loans and investments shall be negotiated in the name of the council and shall be for a set period in accordance with council policy.

## **9. Income**

9.1. The collection of all sums due to the council shall be the responsibility of and under the supervision of the RFO.

9.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the council.

9.3. The council will review all fees and charges at least annually, following a report of the Clerk.

9.4. Any sums found to be irrecoverable and any bad debts shall be reported to the council and shall be written off in the year.

9.5. As far as is practicable, all amounts due to the council shall be received by bank transfer. In all other cases, sums received on behalf of the council shall be banked intact as directed by the RFO and deposited with the council's bankers with such frequency as the RFO considers necessary. The origin of each receipt shall be entered on the paying-in slip.

9.8. 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 and as soon as practicable after the financial year end.

## **10. Orders for work, goods and services**

10.1. An official order, which may be in the form of a letter or email, 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.

10.3. All members and officers are responsible for obtaining value for money at all times.

10.5. The RFO shall verify the lawful nature of any proposed purchase before the issue of any order.

## **11. Contracts**

Where it is intended to enter into a contract exceeding £10,000 in value for the supply of goods and materials or for the execution of works or specialist services the RFO shall invite tenders from at least three firms.

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. 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.

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.

The council shall not be obliged to accept the lowest or any tender, quote or estimate.

## **12. Property**

14.1. The RFO shall ensure a record is maintained of all property held by the council, recording the location, and purchase details.

14.2. No property shall be sold, leased or otherwise disposed of, without the authority of the council.

## **13. Insurance**

15.1. Following an annual risk assessment the RFO shall effect all insurances and negotiate all claims with the council's insurers.

15.3. The RFO shall keep a record of all insurances effected by the council and the property and risks covered thereby and annually review it.

15.4. 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 the council as soon as possible.

15.5. 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 by the council.

## **14. Risk management**

17.1. 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 annually.



17.2. 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. Revision of Financial Regulations**

18.1. 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.

## **Kingston Parish Council Financial Regulations – Appendix 1**

### **Expense claims**

Where possible all payments should be made directly from the Parish Council's bank account by bank transfer. Where purchases are made or out of pocket expenses incurred by the Clerk or any other employee or Member, expense claims may be submitted for:

1. purchasing stationery necessary for Parish Council business
2. postage costs for Parish Council mail.
3. other purchases approved by the Parish Council where it is not practical to pay from the Parish Council bank account.
4. necessary travel expenses at the rate of 45p/mile.

## **Kingston Parish Council Financial Regulations - Appendix 2**

### **Guidance on the Function and Requirements for Internal Audit**

#### **Objectives of the Audit**

The purpose of the audit is to provide assurance to the Parish Council that financial matters are in order as detailed in the current Annual Internal Audit Report. The main objectives are to review whether the systems of financial and other control are effective, and whether the books and records are being properly maintained by the Parish Clerk.

The council has to complete an Annual Governance Statement in respect of its statement of accounts. It is expected that the internal audit will be carried out with this Statement in mind, and that any matters arising which could impact on the Council's responses will be brought promptly to the Council's attention. This Statement is the responsibility of the Council, not the auditor. The audit is a tool for the Council to use in discharging its financial responsibilities but does not obviate the need for the Council to make its own enquiries and exercise judgement as necessary.

#### **Appointment of the Internal Auditor**

The Council is responsible for the appointment of the auditor, though this may be effected by the Parish Clerk under instructions from the Council. The auditor reports to the Council, not the Parish Clerk. The person appointed need not be professionally qualified but does need to have an understanding of basic accounting processes and to be independent of the Council.

#### **Timing of the Audit**

The audit should be completed annually, as soon as the Clerk has completed the annual accounts, and before the Annual Return is submitted to the external auditor. The internal auditor therefore needs to make their report to the Parish Council in time for this to be considered at the meeting at which the accounts are to be considered and approved.

#### **Audit Report**

A formal internal audit report is included with the Annual Return made by the Parish Council. In addition, the internal auditor should notify the Council of any additional matters which he/she feels warrant the Council's attention.

#### **Carrying out the Internal Audit**

The details of timing, location and logistics will be organised by the Parish Clerk in conjunction with the auditor. All books and records relating to Council matters will be made

available by the Clerk to the auditor, and this will include Minutes of meetings and correspondence, as well as financial records. The Clerk and all members of the Council will also need to make themselves available to offer any further information and explanations as required by the auditor.

## **Audit Specifics**

### Annual Accounts

- These will have been prepared by the Parish Clerk in advance of the audit. The auditor's role is to check, not to prepare, the accounts. These checks should include a review of the accounts for reasonableness as a whole and in comparison to previous years. The explanation for any significant variances or unexpected items should be sought.

The following Objectives are labelled in accordance with the "Internal control objective" section of the Annual Internal Audit Report of the AGAR

#### *Objective A: appropriate accounting records*

- The 'Cash Book' is the 'book of prime entry': all receipts and payments made by the Council should be recorded here. The 'Cash Book' is held in the form of a spreadsheet, hard copies printed out as required. The various accounts held by the Council should be recorded separately, and any transfers between them need to be clear (currently the Council holds a bank current and a deposit account, but no petty cash).
- The entries should show the date and amount of each item and have a description to explain the nature of the item.

#### *Objective B: payments*

- A sample of payments should be checked by the auditor, to verify that the items have been properly recorded, appropriate evidence is held to confirm the nature and amount of the expenditure (for example suppliers' invoices), and to verify that the expenditure has been properly authorised and is in accordance with the council's financial regulations (recorded in Council Minutes for example).

#### *Objective C: risk assessment*

- Ensure the Council is aware of and manages risk (review the Council Minutes).

#### *Objective D: budgetary process*

- The budget is set annually in January. Review the Council Minutes and schedules of actual and budget expenditure to ensure the adequacy of this process and approval of the precept.

*Objective E: income*

- A sample of receipts should be checked by the auditor, to verify that the items have been properly recorded and appropriate evidence is held to confirm the nature and amount of the income (for example the precept notification from the District Council).

*Objective F: petty cash*

- Currently not applicable

*Objectives B, E & F: VAT*

- VAT is reclaimed by the Council on an annual basis. This should be reviewed to ensure that reclaimable amounts are being properly recorded, and that the reclaim is being carried out accurately and on a timely basis.

*Objective G: employees*

- Currently the Council has only one employee, the Parish Clerk. The clerk is responsible for running a monthly payroll and adhering to all tax and other legislative requirements, including auto-enrolment for pensions. The auditor should verify that payroll is being processed in accordance with legislation, and that any changes to the salary paid have been approved and minuted by the Council.

*Objective H: fixed assets*

- The auditor should review the Register maintained by the Clerk for completeness and accuracy, paying particular attention to any changes. The policy for recording the valuation of assets should be noted. Currently, land is recorded at a nominal value of £1 and equipment at cost. The Council is a 'custodian trustee' for the village hall, not the owner, but that is expected to change once the status of the Village Hall Management Committee changes to that of a Community Interest Organisation.
- The Council does not at present hold any investments.

*Objective I: bank reconciliations*

- The auditor should check that a complete set of statements is held, and that these have been regularly reconciled to the Cash Book. The bank statements and reconciliations for the year end should be examined in detail, and any reconciling items checked.
- It will be useful also to review post year-end bank statements for any late items that in fact relate to the current year.

*Objective J: preparation of the Annual Accounts*

- The auditor needs to assure themselves that all items have been correctly and completely included in the Annual Accounts: there should be a clear trail to show how the categorisation and totalling of items from the Cash Book to the Annual Accounts has been carried out. The Annual Accounts are currently prepared on a Receipts and Payments basis.

*Objective K: exemption from review*

The auditor needs to check that the council has met the criteria and declared this correctly

*Objectives L to N: publication*

The auditor should check that the council has published all required documents on a free to access website

*Objective O: trust funds*

- Currently not applicable

*This document is intended as a summary of the internal audit process, tailored to the needs of Kingston Parish Council. A comprehensive and much more detailed document entitled "Governance and Accountability for Local Councils – A Practitioners' Guide" is also available.*