

Hawthorn Parish Council

FINANCIAL REGULATIONS

Approved May 2022

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Legislation

- 1.0 Local councils i.e. Parish and parish councils have been given statutory powers by the government to raise money through taxation (council tax) in the form of the precept, and a range of powers to spend this public money to deliver local public services.
- 1.1 The Council must ensure that it has the legal power to act and use a specific statutory power to undertake an activity and incur expenditure. The Parish Clerk, as the Council's 'Proper Officer', is responsible for advising the Council of the lawfulness of specific decisions to act, to provide services or incur expenditure.
- 1.2 Legislation permits local councils to exercise a wide range of statutory or discretionary powers and these powers cover a wide range of services and activities. In addition, in the absence of a specific power, the General Power of Competence allows eligible councils to do anything that an individual can do (unless specifically prohibited). Hawthorn Parish Council has adopted this power.
- 1.3 Financial rules and procedures have been set by the Government through various statutes such as the Local Government Act 1972 and the Local Audit and Accountability Act 2014 and regulations such as the Accounts and Audit Regulations 2015, which are designed to protect the Council and ensure that it does not take any unnecessary risks with public money or community assets.
- 1.4 The Council has a specific responsibility in law for *'making arrangements for the proper administration of its financial affairs, 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'*.
- 1.5 In doing so, the Council is required to comply with *'proper practices'* in relation to financial management. These proper practices are set out in the *Joint Panel on Accountability and Governance – Practitioners' Guide* which is updated each year and published by the National Association of Local Councils. A copy of the latest version of this document is attached at Appendix A.
- 1.6 By law, the council must ensure that one of its officers has responsibility for its financial affairs. At Hawthorn Parish Council the Parish Clerk is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and, acting under the direction of the Council, is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations, and proper practices.
- 1.7 The Council's financial accounting year runs from 1st April to 31st March in line with the government and other public authorities.

Introduction

- 2.0 These Financial Regulations form part of the Council's Constitution and provide the framework for the management of the Council's finances in accordance with all relevant statutory requirements and proper practices.
- 2.1 The Financial Regulations govern how the Council will control and manage its financial affairs and give direction and instructions to the RFO on how to conduct the financial management of the Council.
- 2.2 The Financial Regulations apply to every member and officer of the Council and to anyone acting on their behalf. They identify the financial responsibilities of the Council as a whole and working groups, individual Members of the Council and the Parish Clerk
- 2.3 In support of these Financial Regulations, the RFO will determine on behalf of the Council, its accounting policies, procedures, records, and control systems, ensure that these are observed and kept up to date in accordance with proper practices, produce the Council's accounts, budgets, and financial plans, operate a sound system of budget monitoring and control, and assist the Council in securing economy, efficiency, and effectiveness in the use of taxpayers' money.
- 2.4 The RFO will issue supporting financial policies and procedures, as well as financial management information, advice, training, and guidance in support of the requirements of these Financial Regulations.
- 2.5 Please note that the framework for the procurement of all works, goods, materials, and services on behalf of the Council, as well as the Council's tendering and contract procedures are provided for separately in the Council's Constitution within the Standing Orders for Contracts and Procurement.
- 2.6 The Parish Clerk has a responsibility under the requirements of these Financial Regulations for taking reasonable action to ensure the security of all assets ensuring that all expenditure incurred is legal and properly authorised, that all cash and other income is properly collected, accounted for and banked, and for securing value for money in the use of taxpayers' money.
- 2.7 The Financial Regulations may only be amended or varied by resolution of the Council and will be reviewed and updated annually by the RFO. Any revisions will be submitted to Council for approval. Financial Management Responsibilities

Responsibilities

- 3.0 The financial management responsibilities are summarised in this section of the Financial Regulations.

The Council

- 3.1 The Council is responsible for adopting the Financial Regulations and Standing Orders, and which provide the framework and guidelines within which the Council operates and carries out its business, and for monitoring and ensuring

compliance with these requirements.

3.2 The Council is responsible, by law, for the overall financial management of the Council, and the following specified decisions which cannot be delegated elsewhere:-

- Setting the Council Precept;
- Approving the Annual Governance and Accountability Return, including the Accounting Statements and Annual Governance Statement;
- Approving new borrowing and changes to the bank mandate;
- Writing off debts;
- Declaring eligibility to adopt the General Power of Competence;
- Receiving external audit reports and addressing the recommendations of any external audit report; and
- Approving amendments or variations to these Financial Regulations.
- Monitoring and ensuring compliance with the Financial Regulations and discharging financial functions and responsibilities in accordance with the Regulations.

RFO

3.3 The Parish Clerk is the Council's Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972, and, acting under the policy direction of the Council, is responsible for the proper administration of the Council's financial affairs in accordance with all relevant laws, acts, regulations, and proper practices.

The RFO is responsible for the following areas of financial management:-

- Advising the Council whether a decision is likely to be lawful and in accordance with the Financial Regulations and Standing Orders for Contracts and Procurement;
- Determining and maintaining on behalf of the Council, its accounting systems, internal controls, financial records, accounting policies and financial procedures, and ensuring that these are observed, in order to ensure compliance with the Financial Regulations;
- Reporting on the Council's financial performance and financial position;
- Providing financial information to Members including the regular reporting of budgetary control during the year;
- Preparing the annual Revenue Budget and Capital Programme;
- Preparing the annual Accounting Statements;
- Preparing the Annual Governance Statement incorporating the annual review of the effectiveness of the system of internal control;
- Managing an effective accounts payable and receivable function to ensure that all creditors and debtors invoices are raised and paid promptly;
- Managing an effective income collection and banking system to ensure that all income receivable by the Council is collected and banked promptly and recorded accurately;
- Managing an effective payroll service and providing personnel support such as the issue of contracts of employment;

- Managing the Council's insurance arrangements;
 - Managing the Council's banking arrangements;
 - Accounting for taxation including VAT, income tax and national insurance;
 - Overseeing and ensuring an effective internal audit service in accordance with statutory requirements; and
- 3.4 Section 114 of the Local Government Finance Act 1988 requires that the RFO reports to the Council and the external auditor, if the Council
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
 - has taken, or is about to take, an unlawful action which has resulted in or would result in a loss to the Council; or

Parish Clerk

- 3.5 The Parish Clerk is the Council's 'proper officer' in accordance with Section 112 of the Local Government Act 1972 and is ultimately responsible for the discharge of the council's functions, under delegation from the Council.
- 3.6 The Parish Clerk is responsible for the overall strategic and corporate management of the Council including the maintenance and update of the Council's Constitution.
- 3.7 The Parish Clerk must report to and provide independent, objective, and professional advice and information to the Council to help them make appropriate and lawful decisions.
- 3.8 The Parish Clerk is also responsible for the following specific areas of work:-
- ensuring the effective organisation and administration of Council meetings including preparing agendas and minutes;
 - managing the system of recording and publishing all Council decisions;
 - maintaining and updating all Council policies and procedures.
 - representing the Council;
 - promoting and maintaining high standards of conduct;
 - reporting any breaches of law;
 - managing health and safety;
 - asset management;
 - data protection

Risk Management

- 4.0 The Accounts and Audit Regulations 2015 require the Council to put in place effective arrangements for the management of risk.
- 4.1 It is therefore essential that a robust risk management system is developed and maintained for identifying, evaluating, and addressing all significant operational, health and safety and financial risks to the Council.
- 4.2 Written risk assessments should be completed and maintained for all identified

risks.

- 4.3 Risk assessments for all existing services, events and activities should be regularly re-assessed, while new risk assessments should be completed for all new initiatives and activities.
- 4.4 The Parish Clerk is responsible for overseeing risk management within the Council.
- 4.5 This involves preparing and updating the Council's Risk Management Strategy and Policy, maintaining, reviewing, and updating the Council's Risk Register, promoting the principles of effective risk management throughout the Council, and reporting the Risk Register and any new Risk Assessments, on a quarterly basis, to the Audit, Risk and GDPR Sub Committee and Policy and Resources Committee.
- 4.6 The Council's Risk Register is broken down by service area and identifies and describes each individual risk in respect of all of the services and activities of the Council. It sets out any current controls in place to mitigate each risk, assesses the likelihood and potential impact of the risk, which taken together provide a total risk score of low, medium, or high. It then identifies any further action that is required to mitigate the risk.
- 4.7 High level risks are reviewed on a quarterly basis, with low and medium risks reviewed on an annual basis. Any new risk assessments are added to the Risk Register as required and reported to the Audit, Risk and GDPR Sub Committee.
- 4.8 The RFO is responsible for ensuring that appropriate insurance cover is put in place to mitigate the risks identified. The RFO is also responsible for advising Members and officers on all insurance related matters. See Section 21 on Insurance for more detailed information.
- 4.9 The Parish Clerk is responsible for managing all health and safety related risks.
- 4.10 The Policy and Resources Committee is responsible for approving the Council's Risk Management Strategy and Policy and the quarterly update reports and annual review of the Council's Risk Register.
- 4.11 The Audit, Risk and GDPR Sub Committee is responsible for reviewing the quarterly update reports on the Council's Risk Register and any new risk assessments.
- 4.12 Risk assessments are also included as a standard item on all reports to the Council and its Committees and Sub-Committees and a risk assessment will be undertaken, where necessary, in relation to any new decision made by the Council or committee, and subsequently added to the Risk Register.

The System of Internal Control

- 5.0 Regulation 3 of the Accounts and Audit Regulations 2015 requires the Council to have in place a *'sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the Council is effective, and includes effective arrangements for the management of risk'*.
- 5.1 The system of internal control refers to the cultures, strategies, policies, management systems and structures, and procedures that are in place within the Council, which together help to ensure the achievement of the above.
- 5.2 The system of internal control helps the Council to ensure that it:-
- complies with all relevant laws, acts, regulations and proper practices;
 - secures the economic, efficient and effective use of public money;
 - safeguards its assets and interests; and
 - controls the way in which it accounts to, engages with and leads its community, formulates its priorities and objectives, and delivers its services in a way that meets those objectives.
- 5.3 The system of internal control is based on a framework which includes:-
- the proper establishment of the Council's priorities and objectives and effective performance management via the Service Delivery Plan;
 - a fit for purpose constitution and scheme of administration supported by robust financial regulations, standing orders, policies and procedures;
 - good officer and member relations and conduct;
 - appropriate segregation of duties;
 - a sound system of management supervision;
 - strong financial management and internal audit;
 - effective risk management; and
 - a robust system of delegation, authorisation and accountability.
- 5.4 The development, maintenance and implementation of robust and effective financial regulations therefore make a significant contribution towards the maintenance of an effective system of internal control.
- 5.5 The RFO, supported by the Internal Auditor, is responsible for establishing the overall system of internal control, reviewing its effectiveness, and monitoring and ensuring compliance with it by officers of the Council.
- 5.6 It is the responsibility of service managers to ensure sound internal control arrangements are in place and being followed day to day in relation to their individual service areas, and that these meet the requirements of the Financial Regulations and any supporting financial policies and procedures.
- 5.7 Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct an annual review of the effectiveness of its system of internal control and take the outcome of this review into account in preparing, considering and approving the Annual Governance Statement, which is included in the Annual Governance and Accountability Return. This review must be considered by the Council as a whole.

- 5.8 More detailed information on the preparation, consideration and approval of the Annual Governance and Accountability Return and Annual Governance Statement is included in Section 8 of the Financial Regulation
- 5.9 The annual review of the effectiveness of internal control is significantly informed by the work of the Internal Auditor, who is responsible for ensuring all of the major services, systems and processes of the Council are reviewed annually in order to ensure the internal financial controls are in place and operating effectively.
- 5.10 The Internal Auditor will make comments where necessary in relation to identified weaknesses in internal control arrangements during audit reviews and will make recommendations for improvements in audit reports.
- 5.11 The key types of internal control are summarised below.

Asset Controls

- 5.12 The Parish Clerk, with the assistance of all service managers, is responsible for ensuring that all Council assets are properly maintained and securely held and that they are recorded on the Council's Asset Register and inventories.
- 5.13 The Council's Asset Management Plan provides the framework for the development of the Council's long-term maintenance and investment plan in relation to its assets and for the development of the Capital Programme Budgets. See Financial Regulation 20 on Asset Management for further information.
- 5.14 The Parish Clerk is responsible for ensuring that the Asset Management Plan is regularly reviewed and that progress in delivering the annual action plan is reported to the Council's Asset Management Working Group during the year.

Information Technology Controls

- 5.15 Use of computers, servers, email, social media, and other information technology by staff will be in accordance with the Council's Good Practice Guide on the Use of Computers and the Social Media Policy which set out the requirements on use of information technology and social media, including acceptable and unacceptable use, security, personal use, good practice, and health and safety issues.
- 5.16 The security of and access to all Council computers and servers will be monitored remotely by the Council's I.T. support company and securely controlled within the Council via the use of usernames and passwords.
- 5.17 Access to the Opera Financial Management System will also be restricted to authorised users and the permissions allocated to individual users will be managed and controlled by the RFO. Access to the system will be via a username and password set up by the Finance Section.
- 5.18 Access to the Torex Leisure Management and Till System will also be restricted to authorised users via a username and password and the permissions allocated to individual users managed and controlled by the Head of Leisure and Events.

- 5.19** Access to and use of the Council's internet banking facility will be in accordance with the provisions of Financial Regulation 12 and restricted to those officers on the Council's bank mandate.

Staffing Controls

- 5.20 The Parish Clerk is responsible for the maintenance of the approved staffing structure and establishment list of the Council, which provides the key control over staffing levels.
- 5.21 Any changes to the approved staffing structure, such as the creation of new posts and changes to grades and hours worked must be reported to and approved by the Council's Personnel Sub Committee.
- 5.22 The Personnel Sub Committee is also responsible for the appointment of senior officers and considering any other relevant staffing related matters such as redundancies and early and flexible retirement requests.
- 5.23 The Parish Clerk is responsible for overseeing the overall management of staff and ensuring compliance with all staffing related policies, the performance and development appraisal scheme, staff related health and safety requirements, and for approving annual salary increments.
- 5.24 The Corporate and Policy Officer, with assistance from Durham County Council's human resources department, is responsible for the development and maintenance of all staffing related policies and procedures and for investigating any staff related grievances, capability, or disciplinary issues.
- 5.25 The RFO is responsible for advising the Council of the budget required each year to provide for the approved staffing structure, including the cost of all salaries and wages, employers' national insurance and pension contributions, provision for cover and overtime, training, recruitment advertising, staff insurances, and the cost of the human resources support contract.
- 5.26 Service managers are responsible for controlling total staff numbers and hours worked within the approved staffing structure and budget for their service area, the proper use of recruitment, capability, and disciplinary procedures, undertaking all staff appraisals, development, and training, and recommending changes to staffing structures in order to meet changing operational needs.

Preventing Fraud and Corruption

- 5.27 One of the key purposes of the system of internal control is in helping to prevent fraud and corruption.
- 5.28 In support of this, the RFO is responsible for developing and maintaining the Council's Anti-Fraud and Corruption Policy and ensuring compliance with this.
- 5.29 This policy provides the framework, systems, and controls to help prevent and detect fraud and corruption, and sets out the procedures for reporting,

investigation, and prosecution in relation to any actual or suspected occurrences of fraud and corruption.

- 5.30 The work of the Internal Auditor provides assurance to the Council that its officers adhere to the requirements of this policy and take a pro-active approach to the prevention of fraud and ensures that any actual or suspected occurrence of fraud is promptly detected, properly investigated and reported to the Council.

Internal and External Audit

Internal Audit

- 6.0 The Accounts and Audit Regulations 2015 require the Council to *‘undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account public sector internal auditing standards or guidance’*.
- 6.1 The Accounts and Audit Regulations 2015 require any officer or Member of the Council to *‘make available any such documents or records, information and explanations as are considered necessary for the purposes of the internal audit’*.
- 6.2 The Public Sector Internal Audit Standards, issued in 2013, have not been applied to smaller authorities, although the Council has voluntarily taken these standards into account in its Internal Audit Code of Practice.
- 6.3 The non-statutory ‘guidance’ on internal audit for smaller authorities referred to in the Accounts and Audit Regulations 2015 is set out in Section 4 of the *Joint Panel on Accountability and Governance Practitioners’ Guide* and needs to be taken into account by smaller authorities in order to undertake an effective internal audit.
- 6.4 Internal audit is required to be an ongoing, independent, objective assurance activity whose purpose is to regularly review and report to the Council on whether its systems of financial and internal control over its services, activities and operating procedures are effective.
- 6.5 The Internal Auditor must be competent, objective, independent of the financial operations of the Council, and free from any conflicts of interest.
- 6.6 The Internal Auditor will have no involvement in the financial decision making, management and control of the Council and will not, under any circumstances, perform any operational duties for the Council, initiate or approve any financial transactions, or direct the activities of any Council employee.
- 6.7 The Council’s Internal Auditor meets these requirements by undertaking audit examinations of all major services, activities, systems, and processes and:-
- Reviewing the systems of internal control in place;
 - Ensuring the completeness, accuracy, and reliability of financial management information and accounting records;
 - Ensuring compliance with relevant laws and regulations;

- Ensuring compliance with the Council's Financial Regulations, Standing Orders and other approved Council policies and procedures;
 - Ensuring the protection of Council assets and interests; and
 - Promoting the prevention and detection of fraud.
- 6.8 The Internal Auditor will prepare a risk based annual audit plan setting out the planned programme of internal audit work for the year and will report progress, as well as the conclusions and recommendations from every audit examination to the Council's Audit, Risk and GDPR Sub Committee on a quarterly basis.
- 6.9 The Council's approved Internal Audit Code of Practice sets out the detailed framework for the Internal Audit Service including its purpose, powers, and objectives, as well setting out detailed information on the audit planning process, types of audits, audit testing, and reporting of conclusions and recommendations
- 6.10 The Internal Auditor must complete an Annual Internal Audit Report for the Council at the end of each financial year, as part of the Annual Governance and Accountability Return, focussing on the key internal control objectives that are expected to be in place within all smaller authorities.
- 6.11 This is reported on page 3 of the Annual Governance and Accountability Return and confirms to the Council and its external auditors whether, in all significant respects, the expected key internal control objectives have been achieved throughout the year to an adequate standard. The Council must respond to any matters raised, with proposed actions recorded in the minutes, and must also take the internal audit report into account in its consideration of the Annual Governance Statement.
- 6.12 The Council will carry out an annual review of the effectiveness of its internal audit arrangements and report this to the Policy and Resources Committee.

External Audit

- 6.13 Hawthorn Parish Council having a turnover of <£25,000 is subject to the Transparency Code- and as such is not subject to External Audit.
- 6.14 The Council signs their exemption certificate each year whilst the turnover is ,£25,000.
- 6.15 However whilst external auditors are not responsible for auditing, on an annual basis, the Council's Annual Governance and Accountability Return, which incorporates the Accounting Statements, Annual Governance Statement, and the Internal Audit Report, these still must be prepared and approved by the Council.
- 6.16 The Council still must publish the Annual Governance and Accountability Return in accordance with the statutory timetable in the Accounts and Audit Regulations 2015. Further information on accounts and audit arrangements is included in Financial Regulation 8.
- 6.17 It is important, in terms of providing assurance to local taxpayers, that the Council

receives an 'unqualified' opinion in the external audit report. An unqualified opinion means that no material issues of concern have been identified by the external auditors.

- 6.18 An unqualified audit opinion would mean that the external auditors consider that the Council's Accounting Statements present fairly its financial position and are free from material error or misstatement and that the Council's governance and internal control and audit arrangements are sound.
- 6.19 The external auditors of the Council is undertaken by the private sector audit firm; Mazars LLP, who have been awarded the limited assurance audit contract for the North East region.
- 6.20 The Council may also, from time to time, be subject to audit, inspection, or investigation by external bodies with statutory rights of access to records and information. These could include HM Customs and Revenues to undertake a VAT inspection, or OFSTED to undertake a pre-school inspection.

Accounting Systems, Records, Policies and Procedures

- 7.0 Sound financial systems, records, policies, and procedures are essential to an effective framework of financial accountability and internal control.
- 7.1 The RFO is responsible, under the requirements of the Accounts and Audit Regulations 2015, for *'determining on behalf of the Council the form of its accounting records and financial control systems and ensuring that the financial control systems are observed, and the accounting records are kept up to date'*.
- 7.2 The accounting records determined by the RFO must *'contain entries, from day to day, of all sums of money received and expended by the Council, the matters to which its income and expenditure or receipts and payments relate, and a record of the assets and liabilities of the Council'*.
- 7.3 The financial control systems determined by the RFO must include measures to *'ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable, enable the prevention and detection of inaccuracies and fraud and the reconstitution of any lost records, ensure that 'risk is appropriately managed', and 'identify the duties of officers dealing with financial transactions and division of responsibilities of those officers'*.
- 7.4 The RFO is therefore responsible for the operation of all of the Council's accounting systems, currently using excel spreadsheets.
- 7.5 The RFO is also responsible for determining the Council's accounting policies relating to the preparation of the annual accounting statements and ensuring that they are applied consistently, as required by the proper practices set out in *Joint Panel on Accountability and Governance – Practitioners' Guide*.
- 7.6 The RFO, will ensure that the Council's accounting systems and records are

relevant, reliable, accurate and up to date, and that they provide a proper record of the Council's income, expenditure, financial commitments, assets, and liabilities.

- 7.7 The RFO must also ensure that computer and other systems are registered and licenced and comply with legislation such as the General Data Protection Regulation and Freedom of Information Act.

Annual Governance and Accountability Return

Statutory Background

- 8.0 The Council is required to prepare an Annual Governance and Accountability Return incorporating its annual accounting statements, annual governance statement and annual internal audit report in accordance with 'proper practices'.
- 8.1 These proper practices are set out in the "*Joint Panel on Accountability and Governance – Practitioners' Guide*" which is published each year by the National Association of Local Councils. A copy of the latest version of this document is attached at Appendix A.

Annual Governance Statement

- 8.2 The Annual Governance Statement requires the Council to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- 8.3 The Annual Governance Statement is included within Section 1 of the Annual Governance and Accountability Return and takes the form of eight statements, known as assertions, to which the Council, as a corporate body, needs to answer 'yes' or 'no', confirming whether it has complied or not. These assertions acknowledge responsibility by the Council for the system of internal control and the governance arrangements in place during the year.
- 8.4 The eight assertions are as follows:-
1. *We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.*
 2. *We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.*
 3. *We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.*
 4. *We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and*

Audit Regulations.

5. *We have carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and / or external insurance cover where required.*
 6. *We have maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems*
 7. *We took appropriate action on all matters raised in reports from internal and external audit.*
 8. *We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.*
- 8.5 The Council needs to have appropriate evidence available to support all 'yes' answers, and, if it is not able to provide a 'yes' response, it also needs to provide an explanation to the external auditor describing how the Council will address the weaknesses identified.
- 8.6 The annual review of the effectiveness of the system of internal control referred to in Regulation 5.8 must inform the preparation, consideration and approval of the Annual Governance Statement by the Council and should therefore be considered by the Council before approving the Annual Governance Statement.
- 8.7 The Annual Governance Statement must be approved by resolution of the Council, in advance of the approval of the Accounting Statements. The Chairman of the meeting and the Parish Clerk need to sign and date the Annual Governance Statement and the Council minute reference must be entered.

Accounting Statements

- 8.8 The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 require all local authorities to prepare a statement of accounts each year in accordance with 'proper practices'.
- 8.9 The accounts must *'take the form of an income and expenditure account and statement of balances', prepared in accordance with, and in the form specified in any annual return required by proper practices in relation to accounts'*.
- 8.10 The 'proper practices' in relation to the accounts of smaller authorities are contained within "*Joint Panel on Accountability and Governance – Practitioners' Guide*" which is attached at Appendix A.
- 8.11 The accounting statements are reported within Section 2 of the Annual Governance and Accountability Return and take the form of a one-page statement covering income, expenditure, opening and closing balances, cash and bank balances, fixed asset values and loan balances. It does not require the Council to publish a detailed income and expenditure account, balance sheet, statement of balances and reserves and asset register.

- 8.12 The accounting statements report the current and preceding year's accounts side by side, allowing comparison between the two years.
- 8.13 The RFO is responsible for ensuring that appropriate accounting policies are in place to support the figures included in the accounting statements, and confirming that these policies are consistently applied, and for ensuring that all figures agree to the Council's primary accounting records and cashbook.
- 8.14 The accounting statements reported within the Annual Return are supplemented by a number of supporting documents including the bank reconciliation, asset register, an explanation of significant variances, and a reconciliation of balances
- 8.15 Members must consider and approve the various supporting documents and reconciliations at the time they approve the accounting statements.

Preparation, Audit and Publication of the Annual Return

- 8.16 The RFO is responsible for preparing the Council's Annual Governance and Accountability Return incorporating the accounting statements, governance statement and internal auditor's report, in accordance with the proper practices set out in the "*Joint Panel on Accountability and Governance Practitioners' Guide*".
- 8.17 The RFO is also responsible for liaising with and assisting the external auditors in undertaking the annual audit of the Annual Governance and Accountability Return and making arrangements for the publication of the Return in line with the statutory requirements set out in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 8.18 The Account and Audit Regulations 2015 currently require the RFO to certify the unaudited accounting statements, confirming that they present fairly the financial position of the Council at the end of the financial year and the income and expenditure for that year by no later than 30th June each year.
- 8.19 The Annual Governance Statement and accounting statements must then be approved (in that order) by resolution of the whole Council, also no later than 30th June, and signed by the Chairman of the Council.
- 8.20 Following the approval of the Annual Governance and Accountability Return by the Council, the RFO is required by the Accounts and Audit Regulations 2015 to set a date to commence the statutory thirty-day period for the exercise of public rights in relation to the inspection of the accounts, and publish notice of this, along with links to the unaudited accounts, annual governance statement and supporting documents on the Council website. This period must include the first ten working days of July.
- 8.21 Interested persons wishing to inspect the accounts have a legal right to inspect the accounting records and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records.
- 8.22 Following the conclusion of the statutory public inspection period and external audit, the Council is then required to publish the audited Annual Governance and

Accountability Return, together with the report and certificate from the auditor, and public notice of the completion of the audit, by no later than 30th September.

Financial Planning and Budgeting

Financial Planning Responsibilities

- 9.0 The RFO is responsible for developing, managing, and implementing the Council's financial planning framework and for preparing, on an annual basis, the Council's Financial Plan, Budget Framework and Revenue and Capital Budgets.
- 9.1 The Council is responsible for setting the Council's Precept each year, in accordance with the requirements of the Local Government Act 2003.

Financial Plan

- 9.2 The Financial Plan sets out the Council's financial strategy for the following five-year period and aims to put in place a strategic, pro-active, and forward-looking approach to the Council's financial planning. It puts in place the framework for the planning of the Council's revenue and capital spending each year via the setting of the annual budget.
- 9.3** The RFO is responsible for updating the Financial Plan on an annual basis and the Plan will be reported to and approved by the Council.

Annual Budget Framework and Timetable

- 9.4 The RFO is responsible for the development of the annual Budget Framework and Timetable each year. This sets out the proposed guidelines and timescale for the setting of the annual Revenue and Capital Budget, based on the financial strategy set out in the Financial Plan.

Budget Preparation and Approval

- 9.5 The RFO is responsible for ensuring that the Revenue and Capital Budget is prepared each year in accordance with the Budget Framework, and that the Council Precept is set in line with statutory requirements and the Durham County Council deadline.
- 9.6 Full Council are responsible for the setting of the Council Precept and the level of Parish Council Tax, as well as considering information on the robustness of the budget and the adequacy of the Council's balances and reserves, in accordance with Section 25 of the Local Government Act 2003.
- 9.7 The Precept Form is signed by the Chairman of the Council and Parish Clerk and forwarded to Durham County Council as the council tax billing authority, usually by no later than the end of January each year.

- 9.8 Previous and current year's actual expenditure and income levels will be clearly identified in the budget information provided to service managers and the draft budget figures reported to committees in order to enable managers and members' to make comparison with actual spending and income levels in considering the next year's budget.
- 9.9 Any requests for additional investment in existing or new services in the Revenue Budget, that have not already been approved by the Council, will be clearly identified and explained in the budget reports to ensure that they are subject to proper consideration and appraisal.

Council Tax Referendum Principles

- 9.10 The Localism Act introduced statutory controls to restrict 'excessive' increases in council tax by precepting authorities. Principal councils are currently subject to referendum principles (often referred to as 'capping') for increases above a specified % limit. This limits councils to a maximum council tax increase each year unless a referendum is held, and the proposed increase is approved by local electors.
- 9.11 The government has consulted in the past on extending referenda principles to larger spending Parish and parish councils but has not yet imposed such a limit.
- 9.12 It was previously advised that this decision is conditional upon "*the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for 'invest to save' projects which will lower ongoing costs*", and the Government "*seeing clear evidence of restraint in the increases set by the sector as a whole*".
- 9.13 Therefore, while Parish and parish councils currently have unlimited power to precept, there remains a possibility that referenda controls could be implemented in future years.

Budget Format

- 9.14 The general format of the budget will be determined by the RFO and agreed by Policy and Resources Committee at the time the annual Revenue and Capital Budget is approved.
- 9.15 The budget format will be based around and take into account any statutory or recommended accounting formats in place at the time.
- 9.16 The format of the budget will detail the allocation of resources to committees and individual service areas, break down income and expenditure into specific classes and categories, and include the prior year's actual outturn figures and the current year's expected outturn figures for income and expenditure.
- 9.17 It will also include an explanation of the proposed precept and council tax, capital

investment plans, and the levels and proposed use of Council balances and reserves.

Banking Arrangements

- 12.0 The banking arrangements of the Council, including the authorised bank mandate, will be set up and managed by the RFO and any changes must be reported to and approved by Full Council.
- 12.1 All cheques drawn on the general bank account must be signed by two of the authorised signatories on the Council's bank mandate.

Purchase Ordering and Payments for Goods and Services

Introduction

- 13.0 All procurement undertaken by the Council must be legal and will be made in accordance with the Public Contracts Regulations 2015 and the Council's Standing Orders for Contracts and Procurement, which set out the specific requirements and procedures to be undertaken by officers when undertaking procurement activity, as well as the rules for contracts and tendering.
- 13.1 This section of the Financial Regulations therefore focusses mainly on the requirements and procedures relating to the actual processes of purchase ordering and making payments for goods and services.
- 13.2 It should be noted that the Council's Purchase Ordering and Payments for Goods and Services Policy provides more detailed procedures in respect of this area of the Financial Regulations.

Public Contracts Regulations 2015

- 13.3 The Public Contracts Regulations 2015 set out the rules for the procurement of goods, services and works, above certain thresholds, by public authorities.
- 13.4 Many of the requirements of the regulations only apply in relation to procurement over the value of £189,330 for the supply of goods and services, and £4,733,252 for public works contracts, and are therefore very unlikely to apply to the Council.
- 13.5 However, the Council is required to register any proposed procurement activity over the £50,000 threshold set in the Council's Standing Orders for Contracts and Procurement, on the Government 'Contracts Finder' website, unless a Standing Orders Exemption has been approved by the Council.
- 13.6 In addition, the Council is required to post contract award notices on Contracts Finder for *all* contract awards above the value of £25,000.
- 13.7 The Council's Standing Orders for Contracts and Procurement provide further details of the specific requirements of Public Contracts Regulations 2015 in

relation to the above.

Responsibilities and Separation of Duties

- 13.8 The Members' and Officers' Codes of Conduct require all Members to make declarations of 'disclosable pecuniary interests'. This includes disclosing any relationships or financial or business interests with a supplier of the Council and any offers of gifts or hospitality by a supplier. Members and senior officers are responsible for declaring any such interests in order to ensure that no special favour is shown to businesses run by family or friends.
- 13.9 Responsibility for raising orders for goods and services and receiving those goods and services lies with the Parish Clerk.
- 13.10 Responsibility for authorising the payment of invoices received from suppliers in respect of goods, services or works may only be undertaken by the Parish Clerk.

Purchase Ordering

- 13.11 All requests for goods and services will be made by the Parish Clerk.
- 13.12 As far as is practicable, purchase orders should be sent to suppliers in advance of the delivery of the goods or services.
- 13.13 Council Members cannot issue purchase orders.
- 13.14 The Parish Clerk is responsible for ensuring value for money at all times
- 13.15 The Council's approved Standing Orders for Contracts and Procurement require that any procurement over the value of £5,000 is subject to the obtaining of three competitive quotes unless an exemption from the requirements of the Standing Orders is applied for. Please refer to the Standing Orders for further details in relation to this requirement.

Payment of Grants and Donations

- 13.16 The Council will consider grant applications from local charities, community and voluntary organisations and individuals, and may award grants under the General Power of Competence.
- 13.17 The Council has set aside a Donations Budget for this purpose.
- 13.18 The Council has a grants policy. The Council will request copy accounts where relevant to assist with the consideration of grant requests.
- 13.19 Donations will be paid by cheque following their approval by the Council.

Payment of Salaries and Wages

- 14.0 The Council must make payments of salaries, wages in accordance with the statutory requirements placed on all employers by current PAYE Tax and National Insurance legislation issued by HM Revenues and Customs, as well as all other relevant legislation such as pension regulations and statutory sickness, maternity, and paternity pay rules.
- 14.1 The Parish Clerk is paid in accordance with the National Agreement on Pay and Conditions of Service for Clerks as recommended by the National Association of Councils (NALC) and Society for Local Council Clerks (SLCC).
- 14.2 The RFO is responsible for ensuring that all relevant payroll legislation, Council policies and other requirements relating to the payment of salaries and wages are complied with.
- 14.3 Claims for car mileage, subsistence, and other expenses such as train fares and parking charges, must be made on an official claim form, supported by receipts or other evidence, and duly authorised by the Council.

Loans

- 15 Responsibility for the approval of any new external borrowing lies with the Council and would be based on advice provided by the RFO.
- 16.0 In accordance with the Treasury Management Code of Practice, the Council's approved method for any new borrowing will be Public Sector Loans Board (PSLB) loans. The Public Sector Loans Board is a government department that makes finance available to local authorities at government borrowing rates.
- 16.1 New borrowing will only be considered where absolutely necessary i.e. where there is no other funding available.
- 16.2 The Council would need to obtain a borrowing approval from the Department for Communities and Local Government before taking up any new borrowing.
- 16.3 An application form should be submitted via the County Durham Association of Local Councils (CDALC), and, if approved, DCLG would send the Council a borrowing approval letter which will set out a number of conditions that need to be fulfilled, specify how much the council can borrow, and the maximum term of the loan. Loans would only generally be approved for specific capital investment purposes and not merely as a way of replenishing Council balances.

Insurance Arrangements

- 21.0 It is very important that the Council is adequately insured against the various risks identified in its Risk Register.

- 21.1 The RFO is responsible for managing and arranging the Council's insurance cover and negotiating all insurance claims with the Council's insurers in consultation with the Parish Clerk and the relevant service manager.
- 21.2 As a minimum, the Council's insurance policy will cover the following areas:-
- Public liability cover of £10 million;
 - Employers' liability cover of £10 million;
 - All risks property damage cover for all Council buildings, plant, machinery, contents, play equipment, computer equipment and street furniture;
 - Theft cover for all contents, machinery, and office equipment;
 - Motor insurance cover for all Council vehicles;
 - Business interruption cover for the sports and golf complex, and pre-school;
 - Money cover for all cash held in safes and cash in transit;
 - Libel and slander cover and fidelity guarantee for Members and officers;
 - Legal expenses cover;
 - Engineering insurance and damage to plant; and
 - Personal accident cover for Members and officer
- 21.3 The RFO will keep a record of all insurance policies held by the Council, including full details of the property, plant, vehicles, machinery and equipment and risks covered by the policies.
- 21.4 The RFO will also maintain a comprehensive record of all insurance claims, covering both open and closed claims, and retain copies of all correspondence and evidence relating to the claims.
- 21.5 The RFO must be promptly notified of any accident, loss, liability, physical damage, or any other event likely to lead to an insurance claim. This is the responsibility of the appropriate service manager.
- 21.6 All Members and officers of the Council will be covered by personal accident insurance during official duties and fidelity guarantee insurance will be put in place to protect the Council against employee or Member fraud and corruption.

Taxation

- 22.0 The RFO is responsible for advising Members on all taxation issues affecting the Council, including complying with tax law, maintaining the Council's tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date, and assisting with any tax inspection visits.
- 22.1 The main taxation issues relevant to the Council are employee related taxes such as PAYE and National Insurance Contributions and VAT. All of these taxes are all payable to HM Customs and Revenues.
- 22.2 The Council is not subject to corporation tax or capital gains tax.

Update, Suspension and Revision of the Financial Regulations

- 23.0 The RFO is responsible for ensuring that the Financial Regulations are reviewed on an annual basis, and updated where necessary, to provide for changes in legislation or proper practices.
- 23.1 Any changes to the Financial Regulations will be reported to and approved by the Council.
- 23.2 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 the Council.