TORMARTON PARISH COUNCIL

Financial Procedures

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INTRODUCTION

These financial regulations govern the conduct of financial management by the council and may only be amended or varied by resolution of the council. Financial regulations are one of the council's governing policy documents and provided procedural guidance for members and officers. Financial regulations must be observed in conjunction with the council's standing orders and any individual financial regulations relating to contracts.

1. **Purchasing**

   a) **Purchase Orders**

   Tormarton Parish Council operates a purchasing system whereby an official order is raised and agreed by the Chairman before any order is placed. This is to ensure that there is sufficient budget for the items and that the council's money is being spent in the best possible way. These orders will then be sent to the supplier who will then subsequently return an invoice quoting the purchase order number on. The invoice will then be checked by the Responsible Financial Officer (RFO) for accuracy and signed accordingly. Once the goods or service have been received the invoice will also be signed by the RFO to confirm this.

   b) **Inputting the invoice**

   The invoice will be logged by the Parish Clerk on the Council's 'Financial Spreadsheet' and assigned the appropriate budget code.

   ➢ The 'Financial Spreadsheet' can be found by logging into the Parish PC and locating the finance file for the current year.

   ➢ The invoice's details should be entered as follows:
   Invoice Date, Payment Reference, Payee, Particulars of Payment, Net Amount, VAT Amount, Gross Amount, and the budget code.

   c) **Paying Invoices**

   When an invoice is due to be paid it should be added a 'Payment Schedule' report produced by the Parish Clerk and presented during a meeting of the 'Full Council'. This report should be added as a standing item on the agenda and sent to all council members prior to the meeting for inspection. During the meeting the council members will be asked to authorise the spend for each item on the Payment Schedule presented, and if passed will instruct the Parish Clerk to facilitate payment using the the preferred method.

d) **Procedure Note for Financial Checks**

Under Accounts and Audit regulations 2015 responsibility for financial governance lies with councillors. Tormarton Parish Council must demonstrate and carry out good practice measures to prevent and detect fraud and corruption. This includes:

Authorisation of Invoices:

- Check that PAYEE name on the invoice agrees with that of the cheque or BACS transfer details

- Check that amount on the invoice correlates with the cheque or BACS payment value

When satisfied that payee details and amounts are correct:

- The 'Payment Schedule' should be initialled

- The invoice should be initialled and dated

- The cheque should be signed and the counterfoil initialled

In line with Tormarton Parish Council's standing orders, authorisation is as follows:

- All cheque payments require the signature of two council members

e) **Authorisation of Salaries**

As Tormarton Parish Council have a duty to pay their employees, this authorisation control differs from the payment authorisation. These payments will be made **via STANDING ORDER** at least **three clear working days** before the employee's pay date. Below are how members should be authorising salary payments:

➢ Review the amounts payable to the employee and sign the payroll report

➢ Review the amounts owing to HMRC and sign the report

➢ Sign the transaction from the bank statement and file in the payroll folder

f) Direct Debits and Standing Orders

For direct debits and any standing orders that Tormarton Parish Council have agreed too, these are usually input into the system once they have left the bank account.

2. **Invoicing**

   a) The Invoice

   Tormarton Parish Council invoices occasional hirers of facilities in advance of their booking in line with good practice. Due to the small amounts of income that the Council receives, the process for invoicing is very straightforward. Invoices are run on a financial year/consecutive basis, with reference point starting from 'CURRENT YEAR-001' and running consecutively for the rest of the year. Each new invoice is logged on the 'Master Controls' spreadsheet where all the invoices issued by the council are recorded. The template for the invoices is can be found in the 'Financial Year' folder under invoices. The template should be filled out in the highest detail, and then sent to the hirers for payment within 14 days in a PDF format.

   b) Inputting the receipts into the spreadsheet

   Once the invoice has been paid and is clearly shown on the bank statement, only then should the invoice be added to the Parish's accounting system. The spreadsheet for inputting income is the same as the expenditure report detailed previously in item 1. b). It is considered bad practice to input the invoice when it has been created and prior to payment.

   c) Receipt Reporting

   After the receipts have been received at the bank and input into the councils financial records, the Clerk should report them at the next available full meeting of the council.

3. **Bank Reconciliations**

   At the end of each month, the RFO must reconcile the council's cashbooks and financial records and ensure they balance with the most recent bank statement. This is carried out using the 'Bank Reconciliation' template located in the 'Finance Folder' by entering the required values into the document. At the end of the reconciliation the difference between the councils 'Cash Book' and the balance at the bank should be zero. Any variance should be investigated and if unresolved reported immediately to the members.

4. **VAT Returns**

Tormarton Parish Council submits VAT returns annually through the HMRC online portal. Any VAT reclaimed should be detailed in the VAT controls spreadsheet which is on the same document as the income and expenditure reports.

5. **IRIS Payroll Software**

a) Payroll Input

Tormarton Parish Council pays its staff on or before the 1st of each month by standing order. The council manages its payroll the HMRC PAYE Tools software which is accessed on the Clerk's laptop using a secure username and password. Once logged into the system, click on the employer tab and then click on the correct financial year. Select the employee you wish to pay, and then enter all the details on all the tabs marked with an Asterisks. Once complete, review all information and if correct press submit.

b) Print Summaries

In line with good practice the following summaries should be printed and filed in a dedicated payroll folder:

➢ Payroll Summary

➢ PAYE Summary for Period

Once these have been printed, the RFO can move onto the next step.

c) Year End

At the end of March and after the payroll run has been successfully completed for month 12, the Clerk should then perform the year end processing. This can be found under the 'Year-end' tab and is accompanied by a self-explanatory guide to the close down for the system.

d) HMRC Deductions

The automatic deductions are calculated and submitted from the payroll software, however the payment itself is not automated. The P30 summary will show the amount that the council owes for that period.

e) Payslips

Tormarton Parish Council aims to provide employees with their payslips at least 5 working days in advance of the receipt of payment. These are printed off from the system under the 'Print payslip' tab and these should be printed and sealed in an envelope for each employee. In line with good practice the Clerk should retain a copy of each payslip and keep them on file for future inspection.

f) P45's

When an employee leaves Tormarton Parish Council, they will be given a P45. The method for calculating and producing these can be found on under the 'Employee Details' tab in the payroll software.

g) P60's

At the end of each financial year all employees should be issued with a copy of their a P60 detailing their annual earnings. The method for calculating and producing these can be found on under the 'Employee Details' tab in the payroll software.