



## FINANCIAL TRANSACTIONS POLICY

### WRITTEN BY:

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### CREATED:

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### APPROVAL DATE:

Finance Strategy & Management Committee – TBC June 2021

Town Council – TBC July 2021

### REVIEW DATE:

May 2023

### OBJECTIVES OF THE POLICY

- Protect staff from unfounded allegations
- To ensure transparency and accurate financial records
- To comply with Financial Regulations
- To ensure that public funds are spent responsibly.
- To provide support for the audit process

### RESPONSIBLE FINANCIAL OFFICER

It should be noted that the Chief Officer is the Responsible Financial Officer for Biddulph Town Council.

## OUTGOINGS

### Processing Payments

- A list of all invoices received and payments due is recorded in the Expenditure Management Spreadsheet, to go on the next Town Council Agenda. This document is kept live, with all invoices entered on within 24 hours of receipt.
- For invoices where there is a query, they are placed in the 'Invoices in Query' tray until query is resolved.
- All invoices added to spreadsheet are placed on 'Invoices on Agenda' tray.
- The spreadsheet is used to create the main and supplementary accounts draft for the agenda.
- The Chief Officer reviews these accounts and where authorised, includes them on the agenda for circulation. Any invoices not authorised / queried are referred to the 'Invoices in Query' tray until resolved. This authorisation is demonstrated by a signature from the Chief Officer on printed copies of the main and supplementary accounts.
- The Agenda / supplementary accounts are circulated to councillors. It should be noted that all costs include VAT.
- The accounts are scrutinised by the Town Council where they are considered for authorisation.
- Any payment not authorised is referred to the 'Invoice in Query' tray until resolved.
- For Authorised payments, the cheque / credit note is written (unless it is a direct debit).
- Cheques are signed by 1 x officer and 2 x councillors. The stub is initialled by signatories.
- The cheque number is recorded on the expenditure management spreadsheet.
- The Cheque number and how payment was sent is recorded on the invoice. The invoice is moved to the 'Awaiting Reconciliation' tray.
- Cheque is sent / collected.
- Where the amount authorised and the amount on cheque differ, usually due to an administrative error, refer to the discrepancies section below.

### Reissuing of Cheques

- Cheques will only be reissued where the original cheque which is not or cannot be cashed is returned. In this instance the original cheque will be stapled to the paperwork relating to the payment along with details

regarding why the cheque was not cashed and the new cheque number. The stub for the original cheque will be marked as 'chq returned, reissued as [chq number]'

- Where a cheque has not been cashed and is no longer cashable as it is out of date, the Town Council will need to authorise a new cheque to be made out. If this authorisation is made, the original cheque stub will be marked with 'chq not cashed, reissued as [chq number]', and the original paperwork updated with the details and new cheque number.
- Where a cheque is reported uncashed as it is lost, the Chief Officer and Mayor will consider whether a new cheque should be issued and commence the process to stop the original cheque. This may incur a charge and the Chief Officer and Mayor may consider passing this charge on by deducting this from the reissued cheque amount.

### Petty Cash

- The petty cash float is maintained to always total £70. Of this amount £10 is kept as a cash float at reception, while the rest remains in a locked draw in the office. The receipts and cash of the petty cash float must therefore always add up to £60.
- Petty cash expenditure is for small immediate transactions only and is authorised by the Chief Officer.
- Anytime that any cash is removed from the office petty cash float to make a purchase, a note must be put in saying what has been taken out and by who, signed and dated by the person responsible for the money. As soon as possible the cash and receipts must be returned to the float and the note removed.
- Once a month, before the second Tuesday of the month, the petty cash is reconciled, with the receipts and cash counted to ensure they balance at £60. In the unlikely event of any discrepancies, these are referred to the Chief Officer for consideration.
- The total for the receipts is then treated as a payment, under the 'processing payments' section of this document.
- All petty cash expenditure is added to the expenditure management spreadsheet by the Finance and Administration Officer, for inclusion on the Town Council Agenda under a Petty Cash Payment subheading
- The receipts are stapled to a petty cash cover sheet, which is placed in the 'Invoices on Agenda' tray.
- Upon entering this information to the spreadsheet, careful consideration must be given to the VAT amounts reclaimable.

- Following approval at the Town Council, petty cash transactions are recorded on the Rialtas Petty Cash cashbook for reconciliation as per the reconciliation section below. It should be noted that the cash cheque for petty cash refills is recorded as a cashbook transfer from the current account to petty cash with the cheque number as the reference.

### Credit Card

- Credit card expenditure can take place in line with the Financial Regulations with the authorisation of the Chief Officer.
- All credit card expenditure is logged on that month's credit card log sheet. The receipt with VAT details is also printed and placed in the 'Credit Card' Tray.
- When the credit card statement is received, the balance due is treated as a payment and is treated as a payment under the 'processing payments' section of this policy.
- All credit card expenditure on the credit card statement is matched to the receipts. VAT is identified and the payments are added to the months credit card section of the Expenditure Management Spreadsheet for inclusion on the Town Council Agenda under the Natwest Business Card Payment subheading
- Following Town Council approval, the credit card transactions are recorded on the 'NW Business Card' cashbook for reconciliation as per the reconciliation section below. It should be noted that the direct debit payment for paying the credit card balance is recorded as a cashbook transfer from the current account to NW Business Card with the CCmmmyyyy (eg CCSep2020) as the reference.

## INCOME

### Invoices

For any moneys due other than for burials or allotments, invoices will be raised.

All invoices are raised on a standard template and a hard copy of the invoice is placed in the 'outstanding invoices' folder.

Electronic copies are saved in the invoices section of the finance folder.

Each invoice must be given a reference in the format [company code].[year].[two digit number which resets at 01 every year]

At reconciliation, all outstanding invoices are checked.

- Invoices older than one calendar month which remain unpaid are chased with an email, letter, or telephone call.
- Invoices older than two calendar months which remain unpaid are chased again with an email, letter, or telephone call, and referred to the Chief Officer for consideration.
- Invoices older than three calendar months old are referred to the Town Council for consideration of further action. This may include, but is not limited to, – a further programme of chasing, an application to a small claims court or write off.
- Where write off is considered, the Town Council will not usually agree to offer a further service to the person/organisation owing until they pay the amount back (at which point the Town Council will agree a 'write back invoice' and pay up front for any required service until trust is rebuilt).
- The higher the amount, the less likely it is that the Town Council will consider or will be advised to consider write off.

#### Receipt Transactions at Reception

- Reception maintains a float of £10 to provide change for payments.
- Reception issues a receipt for any payment received.
- Each receipt starts with the letters REC and then proceeds in numerical order.
- The receipt records the payer, the reason for payment (if the payments is for an invoice, the invoice references should be included), date, amount, and method of payment.
- At the end of each day the tin is cashed up to ensure that the receipts and payments + the £10 float add up.
- Any discrepancies are immediately reported to the Chief Officer.
- Once the total in the tin exceeds £50 or the oldest receipt is a month old, the cash and receipts are taken to the office.

#### Transfer of monies between Reception and Office

- The office will then provide a 'TC' receipt to cover all the cash provided and keep a copy of the spreadsheet of sales for this amount. For any money not to be banked into the Town Council's Account (eg fishing ticket sales) this will be made out via a separate TC receipt.
- The TC receipt will record any VAT payable on the receipt, the REC receipt numbers it covers and the totals for each method of payment (eg cash, cheque) received.
- The original TC receipt will be stapled to the REC receipts and the spreadsheet and copies kept in the income file.
- The Office will then deal with the money as a receipted transaction.

## Receipt Transaction received by Office.

- All receipts issued by the office begin with the letters 'TC'.
- The receipt records the payer, the reason for payment (if the payments is for an invoice, the invoice references should be included), date, amount, and method of payment.
- Any VAT payable is recorded on the receipt.
- The receipt original is provided to the payer (if this is not possible, or has been returned by email, this will be recorded on the white receipt copy only and placed in the uncollected receipts envelope)
- Any remittance advice, invoice and / or paperwork associated with the payment, is located has the receipt number recorded on and is placed in the 'income to be reconciled' file. Note: this does not apply where the receipt relates to a burial or an allotment fee where income details are recorded separately.
- The details of the receipt & any VAT are entered on the 'income' section of the 'Expenditure Management Spreadsheet'.
  - For cheques: receipt number written on back of cheque and placed in the envelope for 'cheques to be banked' – kept with paying in books.
  - For cash: Cash is placed in the safe in a plastic wallet. The receipt number is added to a slip of paper contained within
- Next Step: Banking

## Bounced Cheques

Where a cheque addressed to the Town Council has 'bounced' this will be recorded on the receipt made out for the cheque.

An invoice will then be issued for the amount as per the invoice section above.

## Banking

- Banking should take place at least twice a month – once immediately after the Town Council meeting (when petty cash is renewed) and again on or shortly before 28<sup>th</sup> of the Month to minimise the time between receiving, banking and reconciling income.
- All cash and cheques to be banked are added up and checked against the receipt book and the income spreadsheet.
- The paying in slip is filled out with the correct details. Receipt numbers for all income being banked is recorded on the rear of the paying in book stub, with cheques and cash receipts recorded separately.

- The cheques and cash to be paid in as well as the paying in slip are placed in a completed paying in envelope.
- Once the paying in envelope is deposited, the paying in envelope counterfoil is stapled to the paying in book slip stub.
- The paying in number and date of paying in are added to the income and expenditure spreadsheet for each receipt banked.
- Next Step: Reconciliation.

## BALANCE CHECKING AND DATA INTEGRITY

### Reconciliation

- Reconciliation occurs at least once a month, upon receipt of the bank statements. The reconciliation statement is presented to the Finance Strategy and Management Committee in the same month that the bank statement is received. Reconciliations are completed for:
  - Current and Business Reserve Account (treated as one cashbook)
  - CCLA
  - Mayor's Charity Account
  - Petty Cash
  - Credit Card
- As part of reconciliation, it is likely that new receipts will need to be generated for BACS payments received and interest received. These should be receipted as per the 'Receipt Transaction received by Office' Section, but with BACS / Interest and the date credited to the account recorded as the paying in slip details.
- The statement amounts are updated for each cashbook.
- All receipts and payments are added to Rialtas. Using the paying in slip and receipt numbers (receipt number doubles as a slip number for BACS income) as a reference for income and cheque numbers / code provided on contracts and monthly payments spreadsheet for payments.
- All payments and income showing on the bank statement are reconciled for the amount shown on the bank statement. Payments between cashbooks (e.g., paying off the credit card and the petty cash cheque) are processed as a cashbook transfer on Rialtas.
- The back of the stub of each cheque cashed is written on with the 'cashed' and the date showing on the bank statement.
- Any uncashed cheques older than 2 months are chased, and records kept relating to any reason they have not been cashed.
- Any invoices raised and unpaid are chased, as according to the invoice section.



- Any discrepancies are investigated and recorded in line with the discrepancies section below.
- The reconciliation statement for each account is printed off, with a full list of payments and receipts, for each cashbook. The statement is also saved on the shared drive in the Finance Strategy and Management Committee folder.
- The Chief Officer reviews each reconciliation statement and circulates with the Agenda for the Finance Strategy and Management Committee.
- The Committee members consider and ask any questions relating to the reconciliation in the Finance Strategy and Management meeting. They move to formally receive the reconciliations.

## Discrepancies

Discrepancies in reconciliation usually occur for one of two reasons.

- 1) Reconciliation discrepancies usually occur due to bank error – e.g., a cheque is cashed but the wrong amount is taken. This often occurs for small amounts e.g., 5p or 50p and is usually due to a mis reading. It has also happened when the wrong amount is written on a paying in slip, but the bank honours the full amount.
- 2) Authorisation error – the wrong amount is presented to the Town Council for authorisation, and this is usually noticed when payment is made. This error is often due to VAT not being included in the authorisation amount or that an invoice was missed in being submitted to the Town Council.

The response to the discrepancy depends on which kind of error occurs.

Where there is a pattern in discrepancies, this should be investigated to identify potential procedural issues.

For Reconciliation Discrepancies:

- Where the reconciliation discrepancy is less than £5, it may not be of benefit to spend time rectifying or chasing the issue. Instead, with the Chief Officer's authorisation, notes are added, and an adjustment or reverse payment made on Rialtas to reflect the issue. This will be included with the reconciliation submitted to the Finance, Strategy and Management Committee
- Where the amount actually paid is less than the intended amount to pay (or amount received is more than the amount expected), and a payment / refund is requested, the Chief Officer and Mayor will be required to authorise the additional payment / refund in writing. This authorisation will not be unreasonably withheld. Full notes are kept, and a record put



on the expenditure management spreadsheet as a note for the next Town Council.

- Where the amount actually paid exceeds the intended payment amount (or amount received is less than the amount requested), this will be investigated, and refunds / extra payment requested as appropriate. Again, all notes will be recorded with the invoice and adjustments put on Rialtas until a solution is found. Where the discrepancy above £5 must be written off, approval must be gained from the Chief Officer and Mayor before a recommendation is made to the Town Council.

For authorisation discrepancies

- If the amount authorised is less than the amount to be paid, refer to the Financial Regulations. For small discrepancies (20% or less, and no greater than £500) it is likely that Chief Officer and the Mayor's approval is sufficient to pay the full amount.
- In this case, the difference is added to the expenditure management spreadsheet as a 'note' for the next agenda and a note is added to the invoice in question.
- Otherwise, the payment will need to be held and processed as a new payment for the next Town Council for authorisation (Refer to processing payment section). All documentation must be kept with the invoice.

### Auditing

In addition to the annual internal and external audit, nominated Internal Control Councillors visit and carry out a check at least once a quarter.

Any councillor may raise a concern or risk and request that the Internal Control Councillors inspect or investigate an issue.

### Maintaining Data

- All hard copies and electronic copies of financial records are maintained as per regulations.
- Rialtas is backed up at least once a month following reconciliation.