

7<sup>th</sup> October 2021

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## **REVIEW OF INTERNAL FINANCIAL CONTROLS AND UPDATED FINANCIAL REGULATIONS**

### **Purpose**

1. In April members were informed that we would undertake a review of the finance controls within the Association. This report analyses the responses to an Internal Control Questionnaire (ICQ) and the way forward in dealing with any gaps in financial understanding.
2. We have also presented an updated version of the WLGA's Financial Regulations for agreement.

### **Background**

3. The ICQ had been an outstanding item on the workplan for over a year. Questionnaires have been sent out to all members of staff who have involvement in the procurement, authorisation and processing of financial transactions within the Association. Three questionnaires were issued to the Finance Team (including Data Cymru staff), Human Resources and one relating to day to day processing for all budget holders and administrative staff.

### **Summary of ICQ Responses**

4. A copy of the analysis of responses is attached in **the Annex 1** below, responses have been received from all teams. Responses have been fully analysed and the overall response has been positive.
5. Of the 29 questionnaires completed only 4 had any issues. 2 teams had not read the Financial Regulations, one team had difficulty finding the Regulations on SharePoint. The fourth person suggested a refresher course would be useful. To this end it is our intention to run a training course on the utilisation of the Financial Regulations before Christmas this will cover all the issues raised in response to the questionnaires.

### **Financial Regulations**

6. The Association's Financial Regulations are reviewed at least annually to ensure that they remain up to date and relevant. We have made several changes to the Financial Regulations (attached at **Annex 2**):

- changed the mandated signatories for authorising electronic payments via the Associations bank account deleting the Executive Director of Data Cymru due to retirement, amending Richard Palmer's [Data Cymru] title to reflect an amended job title (Chief Operating Officer) and adding Sam Sullivan (Head of Statistics & Research in Data Cymru).
- highlighted the section on receipt of cheques and invoices via post with a view to ensuring all payments and invoices are sent and made electronically. This is dependent on the way the Association operated going forward when the current pandemic is over.

7. To review and agree an updated version of the WLGA's Financial Regulations.

## **Recommendations**

### **8. Members are asked to:**

- 8.1. Note the progress to date on the Review of Internal Controls**
- 8.2. Discuss and agree the proposed amendments to the WLGA's Financial Regulations.**

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## Annex 1

### Internal Audit Review Analysis of Responses

Team	Response to Questionnaire
Policy	No issues raised
Employment	No issues raised
Procurement	No issues raised
Resources	No issues raised
Armed Forces Free Swimming	No issues raised
Directors of Public Protection	Refresher course would be useful
Unaccompanied Syrian Children [UASC]	No issues raised
Horizon 2020	No issues raised
Life Long Learning	No issues raised
Waste Improvement	No issues raised
Exercise Referral Programme	No issues raised
National Autism Team	No issues raised
Education Training Standards	No issues raised
Resilience & Safety	No issues raised
Service Children	Not read the Financial Regulations
Regional Skills Partnership	No issues raised
Taxi Licencing Project	No issues raised
Unadopted Roads Project	No issues raised
EU Transition Funding	No issues raised
Eu Transition Food Poverty	No issues raised
NRW Green Recovery	No issues raised
Decarbonisation Support Programme	No issues raised
Digital Team	No issues raised
Policy Youth Officers Group	No issues raised
Wales Strategic Migration Partnership	Not read the Financial Regulations
Armed Forces Covenant	No issues raised
All Wales Safer Communities Network	No issues raised
Food in Schools/Special Diets in Schools	Unable to find financial Regulations

**WELSH LOCAL GOVERNMENT ASSOCIATION****FINANCIAL REGULATIONS****A. General Introduction**

1. This set of instructions is designed to cover the majority of circumstances. It is not designed to cover all eventualities. However, where financial transactions are entered into that are not covered by the instructions, then a written note of the decisions reached should be agreed with either the Chief Executive or the Director of Resources. Either the Chief Executive or the Director of Resources should agree any deviation from these instructions explicitly before the transaction takes place. Deviation from these regulations without this prior agreement may result in disciplinary action. It is the individual responsibility of Directors to ensure these regulations are adhered to in their areas of responsibility.
2. These instructions form part of the Welsh Local Government Association's internal control system and are not designed to be an additional level of bureaucracy. An internal control system is put in place to protect both the business and the people involved with financial systems. They have been put in place in order to manage appropriately the risks associated with the financial administration of the Welsh Local Government Association.

**B. Purchasing of Goods and Services****General Principles**

3. Prior to making any purchases we must make an objective decision that the goods or services are actually needed by the Association and that we are not making purchases unnecessarily. In undertaking any purchasing, we need to ensure we follow a robust process that will stand any external scrutiny, is appropriate to the subject matter and is compliant with legislation.
4. We commit the Association to expenditure (or a liability for expenditure) when we ask a supplier / contractor to provide something. By the time we receive the invoice, if the goods or service have been received to the required standard, we have no option but to make the payment. It is the authorisation of the purchase order and the placing of an order that commits the Association to the expenditure. No goods or service should be ordered without that authorisation.

5. There should be a separation of duties in the purchasing chain. By this it is meant that more than one person should be involved in the purchasing chain e.g. no one person should authorise an order, take receipt of or be the end user of the goods/services and authorise the payment.
6. Any member of staff managing a contract for services with an individual should satisfy themselves that they are doing so in accordance with [guidance](#) published by HM Revenue and Customs (HMRC) in relation to off-payroll working. This can be done by following the WLGA's own procedural guide which refers to the HMRC [checker tool](#). The results should be kept on file with other important contract documentation.

### **Private Purchases**

7. The Association will not purchase any goods or services for private use by an individual even if the costs are to be fully recovered from the individual concerned.

### **Authorisation**

8. The Director of Resources shall authorise named officers to issue purchase orders and/or to certify invoices for payment. The names of the officers and the extent of their authorisation shall be set out in a list which shall be notified to the Chief Executive.

### **Ensuring Value for Money**

9. All decisions around purchasing should be made on a value for money basis, though this does not necessarily mean taking the lowest cost.
10. Where the total<sup>1</sup> cost of any goods or services to be procured is estimated to be less than £5,000, it is necessary to demonstrate Value for Money has been obtained, but no process is prescribed. All quotations or price lists used to determine Value for Money should be retained as evidence.
11. Goods or Services with a total value in excess of £5,000 but below £160,000 and not requiring the additional process associated with formal tendering, will be procured in accordance with the Association's Quotation Procedure Rules:

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<sup>1</sup> "Total Cost" can mean the total value of orders placed with that supplier by anyone within the Association (and if collaborative, all participating organisations) at any time over the last four years.

- a minimum of 3 quotations should be sought from competitive sources and confirmed in writing by letter or email. A documented record of the evaluation and decision to award must be recorded.

12. Where the additional process associated with a formal tendering is appropriate to the subject matter, or where the value of total expenditure is over £160,000, a full tender procedure must be undertaken in accordance with the Association's Contract Procedure Rules accessed here [WLGA Procurement Rules](#).

### **Budgetary Constraints**

13. In addition to achieving value for money when purchasing it is vital that we take account of affordability when making purchases. Those individuals who have authorisation powers also have responsibility for certain budget headings (Budget Holder). No purchase should be made unless there are sufficient uncommitted funds in the budget line.

### **Purchase Ordering**

14. Except as provided in the paragraph below, all orders shall be accompanied by a purchase order. The following details must be included on the purchase order (PO) which must be prepared and authorised before an order can be placed and the association committed to the expenditure:

- The supplier's name and address;
- Name of the employee the services are provided for;
- A clear description of the goods/services to be purchased. This can be referenced to an official quotation where appropriate;
- Estimated likely cost of the goods / services to be purchased;
- Whether the purchase necessitates an entry on the asset register;
- Purchase Order number [this is on the official purchase order];
- The budget heading from which the purchases are to be funded;
- Date of order; and
- Authorised signatory.

15. Purchase Orders in writing are not required for:

- periodical payments (e.g. energy, water rates, non domestic rates etc) at Local Government House or other recognised Association base;

- Routine or regular supply under an over-arching contract (the usual processes apply to the letting of the original contract)
- such other exceptions as may be approved by the Chief Executive and Director of Resources in advance.

### **Delivery of Goods**

16. All deliveries of goods and services shall be made to Local Government House unless there are exceptional circumstances. Any delivery made to other premises should be specified on the purchase order and authorised accordingly.
17. All goods and services received shall be checked against any delivery note by the officer receiving the goods or services. The officer receiving the goods or services shall endorse the delivery note as correct or otherwise and pass it to the Budget Holder.
18. The goods and services / delivery note should also be checked against the original purchase order to ensure that what has been received is what was ordered. Any differences should be noted.
19. The supplier should be informed of any discrepancies or damages immediately.

### **Conferences and events**

20. All conferences and events should be organised having due regard to best value. Although the Association is a non profit making organisation officers organising events should attempt to ensure that they break even on costs. A short business case and spreadsheet pro forma should be completed and submitted to the Director of Resources or Finance Manager prior to any commitment to the event being made. Ongoing income and expenditure should be monitored against the budget figures. Purchase orders should be completed and authorised as detailed above as with any other purchase. Where invoices need to be raised for attendees, a spreadsheet list of the information required for invoices should be completed and forwarded as set out below for raising invoices.

## **Outstanding Commitments**

21. All liabilities will be held for a maximum of 6 years, as an Association we do not chase outstanding commitments. If after 6 years the liability is still outstanding, at year end we will write them back.

## **C. Payment of Invoices**

22. The Association has a duty to its suppliers to pay invoices either within the credit terms agreed or 30 days from the date of the invoice. Conversely we should only pay for goods and services that we have actually received and where we have been charged the correct amount.
23. An invoice must not be certified by the same person that raised the purchase order. Any invoices which require signature when the budget holder is not available or where the budget holder has signed the purchase order should be passed to the Chief Executive or any Director for authorisation.
24. All invoices received within the Association (including those received via email) should be stamped with the date that they were received and the "grid stamp". The invoice should be passed on to the appropriate budget holder. The budget holder (or a member of their team) will complete the "grid stamp" to include:
  - The purchase order number;
  - Budget and Account Code
  - Goods checked against PO
  - Prices checked against PO<sup>2</sup>
  - Net amount
  - VAT amount
  - Invoice authorised for payment
  - Date passed for payment
25. A duly authorised officer shall certify an invoice for payment. The invoice cannot be certified by the same person that authorised the order. The invoice shall be accompanied by any relevant delivery note(s). Certification

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<sup>2</sup> There the goods or prices differ significantly from those detailed on the PO then an explanatory note should be made on the invoice and initialled by the relevant budget holder.

confirms that the officer is satisfied that the goods or services have been supplied.

26. The purchase order [blue copy] should be attached to the invoice before submitting to the Finance section of Data Cymru for payment. If the blue copy of the purchase order is not attached to the invoice no payment will be made.
27. This process should be completed within the credit terms or a 30 day maximum period. Only in very exceptional circumstances should photocopied or copy invoices be passed for payment.

#### **D. Use of Corporate Card**

28. Corporate cards should be utilised to book accommodation, travel and for incidental expenditure. When a corporate card is used for a purchase a purchase order should be completed in the same way as they are completed when purchasing any goods or services. The purchase order along with the receipt for the goods purchased should be forwarded to the Office Manager as soon as the order is completed as they will be required as evidence of spend when the corporate card statement is reconciled on a monthly basis.
29. The following staff hold corporate credit cards:-

Card Holder Name	Card Limit
Chris Llewelyn	£2,000.00
Daniel Hurford	£2,000.00
Jon Rae	£1,500.00
Lucy Sweet	£2,000.00
Naomi Alleyne	£1,000.00
Sharon Davies	£1,000.00
Tim Peppin	£2,500.00
Nathan Gardner	£2,000.00

#### **E. Employee and Related Expenditure**

30. With the exception of any employees on secondment to the Association, our payroll providers, Cardiff County Council, pay all employees. All adjustments to pay are administered by the Finance Manager, the Office Manager or the HR team.

31. All expenses should be claimed in accordance with the Association's Travel and Travel Expenses Policy and authorised by the appropriate budget holder or Director.

### **Reviewing Payroll Costs**

32. Employee costs are the Association's most significant area of expenditure. It is important to ensure that our employees are paid the correct amount on time. Therefore, we should review the monthly schedule from the payroll provider and sign off payroll as set out below. The Finance Manager is responsible for undertaking this review.
33. They should review the monthly statement of payroll and travelling expenses costs for the Unit and be satisfied that:
  - Each person has been paid the correct amount for the current month including additions (permanent or temporary);
  - Errors brought forward from the previous month/s have been rectified;
  - An action plan is in place for the recovery of any overpayments;
  - Any previous underpayments have now been rectified;
  - Travelling expenses paid match the amounts authorised; and
  - Statutory deductions that have been made appear reasonable.

## **F. Income**

### **General Principles**

34. All income should be collected as soon as it becomes due and all such income should be passed to the Finance section of Data Cymru for banking as soon as it is received.

### **Grant Income**

35. When an officer is considering making an application for a grant from any source, they should refer to the WLGA Staff Finance Guidance section on Grants. Any paperwork relating to grants should be forwarded to the Finance Manager as soon as possible. It is particularly important to know the amount expected, how the grant will be received (direct transfer or by raising an invoice) and when the payment is expected.
36. VAT is never included on any financial reports produced by the Finance Team therefore when claiming grants from Welsh Government please note VAT should **not** be included in the grant claim.

## **Raising Invoices and Collecting Money Due**

37. The most efficient method for collecting money due to the WLGA from individuals or organisations is by requesting that an invoice is raised by the Finance section of Data Cymru. This request must be made explicitly<sup>3</sup> in writing providing the following information:
  - Customer Name
  - Customer Address
  - Customer Contact name
  - Customer contact email address (invoices are emailed)
  - Customer purchase order number (if relevant)
  - Department / Budget Head / Class and Account code to allocate income
  - Amount
  - Does this amount include VAT (Y/N)
  - Brief sentence to explain reason for invoice, including name & contact details of officer requesting the invoice.
38. For amounts that are to be invoiced on a periodic basis, a schedule of regular income should be drawn up in advance of the start of the financial year and forwarded to the Finance section of Data Cymru and copied to the Finance Manager.
39. The raising of an invoice alone does not secure the corresponding income. At the end of each month Data Cymru should review the list of outstanding invoices and chase any outstanding payments that are older than 30 days.

## **Receipt of cheques**

40. Cheque details are recorded in the "Cheque Received" book held in the Central Administration office. Details recorded are the person receiving the cheque, payee and amount. All cheques received are then passed to the Finance section of Data Cymru who sign to say the cheque has been received. The Finance Section of Data Cymru checks the cheques against the remittance advices to ensure that we have a cheque for each remittance advice received.

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<sup>3</sup> It is not sufficient to add a note to an invoice passed for payment stating that an invoice needs to be raised to recoup some of the expenditure.

## **Banking of cheques**

41. At least once a week, cheques should be banked by Data Cymru. The frequency of banking should be increased if Data Cymru is holding Association cheques with a value of over £500 at any time. The standard HSBC paying-in slip should be completed when banking the cheques.

## **G. Banking Arrangements**

42. All arrangements with the Association's bankers shall be made by the Finance Manager Data Cymru and shall be subject to annual scrutiny by the auditors.
43. The WLGA Audit Committee shall approve, and the Finance Manager shall notify to the Association's bankers, from time to time a list of the signatories for cheques and other orders or instructions authorising payments on behalf of the Association, that is the holders of the following posts:
  - Chief Executive
  - Director of Resources
  - Chief Operating Officer Data Cymru
  - Head of Statistics & Research Data Cymru
  - Finance Manager Data Cymru
44. The Association's preferred method of payment for its suppliers is via internet banking.
45. Reconciliation of the Association's bank accounts shall be carried out monthly by the Finance Section of Data Cymru.

## **Cheque signing and security**

46. Chequebooks should always be locked away.
47. Prior to any cheques being signed the following checks must be undertaken:
  - The individual entry on the listing from the purchases ledger is checked for accuracy and completeness to the individual invoices; then
  - The actual cheques should be checked to the invoice listing for completeness and accuracy.
48. The invoice listing should then be signed to confirm that these checks have been undertaken.

49. Two signatures are required for any cheque in excess of £5,000 from the list below.
50. An officer who certifies an invoice or claim for payment shall not sign the cheque in settlement of that invoice or claim.
51. The stock of cheques shall be held in safe custody by the Finance Manager of Data Cymru under instructions from the Finance Policy Officer.
52. The following are the mandated signatories for cheques:

<b>Name</b>	<b>Amount</b>
Chris Llewelyn	Up to £5,000
Jon Rae	Up to £5,000
Richard Palmer	Up to £5,000
Martin Edwards	Up to £5,000
Sam Sullivan	up to £5,000

### **Direct debit payments**

53. Where it is deemed low risk we will pay some companies by direct debit. Authorised banking signatories are the only individuals who can authorise a direct debit instruction. Any request to make payments by direct debit should be referred to the Finance Manager.

### **Treasury Management**

54. The WLGA will create and maintain, as the cornerstones for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
  - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
55. The WLGA Audit Committee will receive reports on the WLGA treasury management policies, practices and activities, including, as a minimum, an annual strategy and an annual report after its close.

56. The WLGA delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
57. The Association nominates the Chief Executive to be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.