



DENBIGH TOWN COUNCIL

INTERNAL FINANCIAL CONTROLS & RFO BUSINESS CONTINUITY POLICY 2026

Supporting the Financial Regulations ratified 23 March 2026

Policy owner	Town Clerk / Responsible Financial Officer
Adopted	
Review date	
Approved by	Denbigh Town Council

1. Purpose and Status

This policy sets out the operational internal financial controls used by Denbigh Town Council to protect public money, maintain reliable accounting records, support lawful and properly authorised expenditure, and provide continuity of essential financial functions during the absence of the Responsible Financial Officer (RFO).

It supports, and must be read alongside, the Council's Financial Regulations, Standing Orders, Risk Management Policy, Asset Register and procurement procedures.

The policy does not transfer the statutory responsibilities of the RFO. Any formal appointment of an interim or replacement RFO must be made by the Council.

2. Core Control Principles

- No individual shall control a financial transaction from initiation to final independent review where separation is reasonably practicable.
- Council funds shall only be used for authorised Council purposes and within approved budgets and legal powers.
- All material transactions shall have a clear and retrievable audit trail.
- Payments shall be supported by appropriate invoices, contracts, resolutions, authorization slips or other evidence.
- Financial access rights shall be limited to those who require them and reviewed when roles change.
- Errors, suspected fraud, irregularities and control failures shall be reported promptly rather than concealed or corrected without an audit trail.
- Internal controls shall continue during staff absence; convenience shall not override segregation, authorisation or independent review.

3. Roles and Responsibilities

3.1 Full Council

- Approves the budget and precept, Annual Governance Statement, Accounting Statements, borrowing, bad-debt write-offs and Investment Strategy if applicable.
- Approves banking arrangements and authorised signatories.
- Approves payments unless validly delegated or previously authorised under the Financial Regulations.
- Receives financial monitoring and audit reports and considers identified control weaknesses.

3.2 Responsible Financial Officer

- Maintains the accounting records and financial audit trail.
- Prepares financial reports and payment schedules.
- Administers VAT and banking arrangements.
- Prepares bank reconciliations at least monthly.
- Monitors budgets, income, liabilities and reserves.
- Maintains appropriate finance procedures and continuity information.

3.3 Councillors and Authorised Signatories

- Exercise independent scrutiny rather than relying solely on information prepared by an officer.
- Cheque signatories shall satisfy themselves that the payee, amount and supporting authority are correct before signing.
- Members shall declare relevant interests and take no part in decisions where they are disqualified from participation.

3.4 Other Employees

Employees may undertake administrative finance tasks delegated to them, such as gathering invoices, preparing information, maintaining records or assisting with cash counts. Such delegation does not confer RFO status or authority to approve expenditure unless separately authorised.

4. Budgetary Control

- Expenditure shall only be incurred within an approved budget, except where the Financial Regulations permit emergency expenditure.
- Virement between budget headings requires Council approval.
- The RFO shall maintain an up-to-date budget-versus-actual position.
- Formal quarterly reports shall identify actual expenditure against budget and variances exceeding 15% or £500, whichever is greater.
- As an enhanced internal control, the RFO should review the budget position monthly and bring significant or emerging pressures to Members' attention.
- Earmarked reserves shall be reviewed as part of the annual budget process and their purpose clearly recorded.

5. Procurement and Commitment of Expenditure

Before placing an order or committing Council funds, the responsible officer shall establish that:

- the expenditure is within an approved budget and lawful Council purpose;
- the appropriate procurement threshold has been applied;
- required quotations or tenders have been obtained and retained;
- the whole contract/project value has been considered and has not been artificially split;
- any decision not to select the lowest quotation or tender is supported by a recorded value-for-money rationale;
- relevant conflicts of interest have been declared and managed.

Procurement thresholds: up to £3,000 - reasonable value check; £3,001-£25,000 - three written quotations; over £25,000 - formal tender process; applicable statutory public procurement requirements must also be followed.

6. Invoice and Payment Controls

Before a payment is presented for approval, the RFO or delegated administrator shall confirm, as applicable:

- the goods, works or services have been received or the payment is otherwise contractually due;
- the invoice is addressed appropriately and contains sufficient supplier and transaction information;
- the arithmetic, VAT treatment and coding are reasonable;
- the expenditure has appropriate budgetary and Council/delegated authority;
- duplicate payment has not already been made;
- supporting evidence is retained.

The RFO shall prepare a schedule of payments for approval. Regular contractual payments such as salaries, utilities and HMRC may be authorised annually and reported monthly in accordance with the Financial Regulations.

7. Cheques and Electronic Banking

7.1 Current cheque arrangements

- Until the Council formally implements electronic transfer arrangements, payments shall normally be made by cheque.
- Cheques require two authorised Councillor signatures.
- Blank cheques shall not be pre-signed.
- Supporting documentation shall be available to signatories at the point of signature.

7.2 Electronic banking controls

If electronic payments are implemented following formal Council approval and amendment/activation of the relevant arrangements, the following controls shall apply:

- dual authorisation;
- separation of payment initiation and approval where possible;
- individual user accounts and unique logins;
- no shared passwords or saved credentials;
- multi-factor authentication;
- evidence of online approval retained;
- access removed or amended promptly when an authorised user's role changes.

8. Supplier Bank Detail Changes

Any request to change supplier bank details shall be treated as a heightened fraud risk. The change must be independently verified before amendment.

- Verification should use contact information already held by the Council or independently sourced, rather than contact details contained only in the change request.
- Email alone shall not be treated as sufficient verification for a material bank-detail change.
- The verification undertaken shall be documented.
- Where there is doubt, payment shall be withheld until the details are satisfactorily verified.

9. Bank Reconciliation

- The RFO shall complete bank reconciliations at least monthly.
- Reconciliations shall agree the accounting record to the bank statement and identify outstanding items.
- The completed reconciliation and supporting bank evidence shall be reviewed and signed by a Councillor independent of the bank signatories.
- Unexplained or long-outstanding reconciling items shall be investigated promptly.
- The reviewer shall record the date of review.

10. Income and Cash Handling

- All Council income shall be recorded and banked promptly.
- Where cash is collected at an event, two people should count the money together wherever practicable and sign a cash-count record.
- Cash shall be held securely for the shortest practicable period before banking.
- The amount banked shall be reconciled to the cash-count sheet or other income record.
- No cash float shall be maintained unless the Financial Regulations are amended to permit one.
- Fees and charges shall be reviewed annually.
- Bad debts may only be written off with full Council approval.

11. Payroll, HMRC and Pensions

- Salaries shall be paid in accordance with contracts of employment and approved pay arrangements.
- Changes to pay require Council approval.
- Payroll shall comply with PAYE, National Insurance and pension requirements.
- Salary totals shall be included in the monthly payment schedule.
- Changes to employee pay, hours, pension status or deductions shall be supported by appropriate authority and retained on file.
- Payroll, HMRC and pension deadlines shall form part of the RFO continuity schedule.

12. VAT

- Valid VAT evidence shall be retained where VAT is reclaimed.
- VAT shall be separately identifiable within the accounting records.
- VAT returns/reclaims shall be prepared in accordance with the Council's applicable reporting arrangements and at least annually as required by the Financial Regulations.

- Material VAT uncertainty shall be resolved before a significant transaction is committed where practicable.

13. Assets, Insurance, Loans and Investments

- The RFO shall maintain the Asset Register and assets shall be verified annually.
- Disposal of assets over £500 requires Council approval.
- Land transactions require full Council approval and proper valuation.
- Insurance cover shall be reviewed annually following risk assessment and significant new assets or liabilities notified to the insurer as appropriate.
- Borrowing requires full Council approval and necessary consents.
- Investments shall comply with the Council's annually reviewed Investment Strategy, be held in the Council's name, be low risk and prioritise preservation of capital.

14. Financial Records, Security and Access

- Finance records shall be stored so that they are retrievable for audit, inspection and business continuity purposes.
- Access to financial systems and online banking shall be role-based and limited.
- Passwords shall not be recorded in the continuity pack or shared between staff or Members.
- Where a password manager or secure credential-recovery process is used, access shall be controlled and documented.
- Finance data shall be backed up in accordance with the Council's IT arrangements and recoverability should be periodically confirmed.
- Confidential payroll and banking information shall be protected from unnecessary access.

15. Fraud, Error and Financial Irregularity

Any employee or Member who identifies or reasonably suspects fraud, theft, manipulation of records, duplicate payment, false invoicing, unauthorised expenditure or another material financial irregularity shall report it promptly to the RFO and/or Mayor/Chair as appropriate. Where the concern involves the RFO, it shall be reported directly to the Mayor/Chair and Council's appropriate independent adviser/auditor.

- Relevant records shall be preserved.
- No person implicated in the concern shall control the investigation or alteration of relevant records.
- The Council shall consider insurer, auditor, bank, police or other reporting requirements according to the circumstances.
- Corrections shall retain an audit trail; records must not simply be deleted or overwritten to conceal an error.

16. RFO Business Continuity and Absence Contingency Plan

The purpose of this plan is to maintain essential financial operations without weakening the Council's internal controls when the RFO is unavailable. The plan distinguishes administrative continuity from the statutory office of RFO. An employee assisting under this plan does not become the RFO unless formally appointed by Council.

16.1 Continuity information to be maintained

The RFO shall maintain a secure continuity pack or equivalent controlled record containing:

- current budget and latest budget-monitoring report;
- latest bank reconciliation and list of Council bank accounts;
- bank contact details and authorised signatory information;
- schedule of recurring and time-critical payments;
- payroll timetable and payroll provider/process information;
- HMRC and pension scheme contact/reference information necessary for continuity;
- VAT timetable and status of the latest return/reclaim;
- PWLB/loan repayment information and other significant liabilities;
- insurance policy/contact details and renewal dates;
- key supplier and contract information;
- current grants/restricted or trust funds requiring separate treatment;
- internal and external auditor contact details;
- calendar of statutory and financial deadlines;
- step-by-step location guide to financial records and systems.

Security rule: The continuity pack must not contain shared online-banking passwords, MFA codes or other credentials that would circumvent individual access controls.

16.2 Level 1 - Short planned or unplanned absence

Indicative circumstances: annual leave, brief sickness or an absence where return is expected shortly.

- Routine invoices and correspondence may be received, logged and organised by an authorised employee.
- No person shall assume RFO powers merely because the RFO is absent.
- Previously authorised recurring payments may continue through the established process where they do not require an unavailable RFO action.
- Non-urgent new commitments should normally await the RFO's return.
- Urgent expenditure may only proceed using an existing lawful delegation, including the emergency provision in the Financial Regulations where applicable.
- The Mayor/Chair shall be informed if an important statutory, payroll, banking or supplier deadline may be missed.

16.3 Level 2 - Extended or uncertain absence

Indicative circumstances: absence extending beyond routine cover or creating a material risk to payroll, banking, reporting or statutory deadlines.

- The Mayor/Chair shall arrange an immediate review of upcoming financial deadlines and essential functions.

- Council, or an appropriately convened meeting, shall consider whether temporary RFO arrangements or formal interim appointment are required.
- Administrative staff may prepare records and documentation but shall not certify, authorise or exercise statutory RFO functions without lawful authority.
- Bank mandates or system permissions shall only be changed through the bank/system's formal process and appropriate Council authority.
- Internal controls, including independent Member reconciliation and payment authorisation, must continue.
- Where necessary, the Council may obtain temporary professional support for payroll, accounting, VAT or year-end work, subject to procurement and authority requirements.

16.4 Level 3 - Prolonged absence, incapacity or vacancy

- Full Council shall formally consider appointment of an interim RFO and record the appointment in the minutes.
- The interim RFO shall receive only the system and banking access necessary for the role through formal access-control processes.
- A documented handover/reconstruction of the current financial position shall be completed, including bank balances, reconciliations, outstanding payments, debtors, payroll, VAT, loans, reserves and key deadlines.
- The Council shall notify banks, payroll providers, pension bodies, auditors, insurers or other bodies where a change of authorised officer/contact is required.
- On the substantive RFO's return or appointment of a replacement, access permissions and temporary arrangements shall be reviewed immediately and a formal handback/handover recorded.

16.5 Priority order during an RFO absence

1. Protect Council money, banking access, records and credentials.
2. Ensure payroll, PAYE, National Insurance and pension obligations are met.
3. Prevent missed loan, contractual, insurance or statutory deadlines.
4. Maintain payment authorisation and segregation of duties.
5. Maintain accurate bank and accounting records.
6. Report the financial position and any control limitations to Council.
7. Defer non-essential activity where proceeding would require controls to be weakened.

17. Authority Matrix During RFO Absence

Activity	Administrative cover	Member/Council role	RFO / interim RFO required?
Receive/log invoices	Yes	No routine role	No
Prepare supporting payment information	Yes	Scrutinise/approve as required	RFO normally prepares formal schedule
Approve new expenditure	No unless separately delegated	Council/delegated authority	RFO advice/control normally required

Sign cheques	No	Two authorised Councillors	No, if payment already properly authorised
Change supplier bank details	May receive request only	No substitute for verification	Authorised officer must independently verify
Bank reconciliation	May gather statements/records	Independent Councillor signs review	RFO or formally authorised/interim RFO prepares
Payroll changes	May provide authorised data	Council approval for pay changes	RFO/interim or authorised payroll process
VAT return/reclaim	May collate records	Oversight as appropriate	RFO/interim/professional authorised support
Budget report	May collate data	Council receives/scrutinises	RFO/interim normally responsible
Bank/system access change	No	Formal Council/authorised process	Only through formal mandate/access process

18. RFO Absence Quick-Action Checklist

- ☐ Confirm expected duration and whether Level 1, 2 or 3 applies.
- ☐ Notify Mayor/Chair where the absence may affect essential financial functions.
- ☐ Locate the secure RFO continuity pack without accessing or sharing another person's credentials.
- ☐ Check the next 30 days for payroll, HMRC, pension, loan, insurance, VAT, supplier and statutory deadlines.
- ☐ Identify payments already authorised and any urgent commitments requiring Council/delegated authority.
- ☐ Confirm who can access accounting records and whether formal temporary access is needed.
- ☐ Maintain two-signatory/dual-authorisation and independent-review requirements.
- ☐ Do not alter bank mandates or system permissions informally.
- ☐ Escalate to Council if statutory RFO functions cannot safely be performed.
- ☐ Record all temporary arrangements and decisions.
- ☐ On return/handover, reconcile activity completed during the absence and revoke unnecessary temporary access.

19. Internal Audit and Annual Review

- The Council shall appoint an independent and competent Internal Auditor.
- Internal audit shall review internal controls and report in writing annually.
- Audit correspondence and material recommendations shall be reported to Council.

- The effectiveness of this policy and the wider system of internal control shall be reviewed at least annually and before approval of the Annual Governance Statement.
- This policy shall also be reviewed following a significant fraud attempt, banking change, prolonged RFO absence, material audit finding or major change in financial systems.

20. Policy Review and Approval

This policy is intended to operate alongside the Denbigh Town Council Financial Regulations updated 2 March 2026 and ratified 23 March 2026. It should be reviewed no later than April 2027 and earlier where the Financial Regulations, banking arrangements, staffing structure or relevant financial processes change.

Date adopted by Council	
Minute reference	
Signed - Mayor/Chair	
Signed - Town Clerk/RFO	