

# **Stoke St Michael Parish Council**

## **Internal Control Policy**

**Approved by Full Council: - 11<sup>th</sup> September 2025**

## **1. Scope of Responsibility**

Stoke St Michael Parish Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

## **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk; reducing it to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

## **3. The Internal Control Environment**

### **3.1 The Council**

The Council has appointed a chair who is responsible for the smooth running of its meetings. The Council reviews its obligations and objectives and budgets at the level of precept required for the following year at its January meeting. The Council monitors progress against its aims and objectives at its meetings by receiving relevant reports from the Parish Clerk. The Council regularly reviews its internal controls, systems, and procedures.

### **3.2 The Clerk / Responsible Financial Officer**

The Council has appointed a Clerk and a Responsible Finance Officer (RFO). The Clerk of the Council acts as the Council's advisor and administrator. The Responsible Financial Officer is responsible for administering the Council's finances. The Clerk is responsible for the day-to-day compliance with laws, and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and policies are adhered to.

### **3.3 Payments – all payments are approved by the Council.**

Two member signatories are required to sign every cheque. All electronic and direct debit payments (including debit card transactions) are subject to approval by two members (from the authorised list of Councillors with bank approval) which maybe by means of the email approval of a periodic schedule of payments.

### **3.4 Risk Assessments / Risk Management**

The Council carries out regular risk assessments in respect of its activities and regularly reviews its systems and controls.

### **3.5 Internal Audit**

The Council has appointed an independent, competent internal auditor who reports to the Council on the adequacy of its systems, and procedures, internal controls and risk management and its reviews of these matters. The effectiveness of internal audit is reviewed annually.

### **3.6 External Audit**

The Council's external auditors submit an annual certificate of Audit which is presented to the Council.

## **4. Review of Effectiveness**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of:

- The Council
- The Clerk / FO who has responsibility for the design and maintenance of the internal control environment and managing risk.
- The independent internal auditor who reviews the Council's systems of internal control.
- The Council's external auditor who makes the final check using the annual return, a form completed and signed by the Clerk / RFO, the Chairman and internal auditor.

## **5. Significant Internal Control Issues**

The Council strives for the continuous improvement of the system it has designed for internal control and has addressed all of the minor issues and weaknesses raised and reported during the review process.

## **Statement of Internal Control**

### **Cash Book / Bank Reconciliations**

The cash book is kept electronically on a spreadsheet (Excel) and kept up to date from the original documents – receipts, invoices, and bank statements. The cash book is reconciled to the bank statement each month and a bank reconciliation is approved quarter at the Parish Council meeting. The bank statements are checked against the bank reconciliation by a member of the council.

The bank reconciliation shall include all bank accounts (current, savings, deposit and other accounts) held by the council and shall show movements of balances on all accounts.

### **Financial Regulations**

The Parish Council has adopted Financial Regulations based on the NALC model. The regulations are reviewed for continued relevant and amended where necessary via approval by the Parish Council.

### **Order / Tender Control**

Financial Regulations refer to procedures relating to tenders.

### **Legal Power**

A proper legal power is identified for each expenditure.

### **Payment Controls**

Two member signatories are required to sign every cheque. All electronic and direct debit payments (including debit card transactions) are subject to approval by two members (from the authorised list of Councillors with bank approval) which maybe by means of the email approval of a periodic schedule of payments.

All payments are reported to the Council for approval via a schedule of payments and receipts, this is done at each Parish Council Meeting.

The RFO maintains control of the cheque book and debit card which are kept in a secure place.

### **VAT Reclaims**

The RFO ensures that all invoices are addressed to the Parish Council. The RFO maintains a VAT account and ensures that the correct amount of VAT is reclaimed in the year and in the required time frames.

### **Income Controls**

All income is received and banked in the Council's name in a timely manner and reported to the Council. The Parish Clerk ensures that the amount of precept received is correct in accordance with the precept request sent to Somerset Council and ensures that the precept instalments are received when due.

## **Financial Reporting**

A budget control, comparing actual receipts and payments to the budget is prepared and presented to the Council quarterly.

## **Budgetary Controls**

The budget is prepared in consultation with the Councillors at the October / November meeting and the level of precept is approved by the full Council at the January meeting each year. The precept request is submitted by the deadline dictated by Somerset Council.

## **Payroll Controls**

All employees are under PAYE as an employee of the Council and the necessary system for making payments to HMRC is in place.

The payroll included amounts payable to HMRC.

In April each year the Annual Gross pay, Employers National Insurance and Employers Pension contributions are checked against Employees remuneration as per their contracted terms and conditions.

## **Risk Assessment**

Risk Assessment for the Parish Council is presented annually to the Parish Council for review and approval.

## **Asset Control**

The Clerk maintains a full asset register. The existence and conditions of assets is checked on an annual basis by the Parish Council. The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal. The insurance schedule is checked annually before being renewed.

## **Internal Audit**

The Council annually appoints an independent internal auditor who provides a full report to the Council. The internal auditor will have planned and carried out the work necessary to give the assurances called for in section 4 of the Local Councils Annual Return. The Parish Council reviews the scope of work offered by the Internal Auditor.

## **External Audit**

The Council submits an annual return to the external auditor in a timely manner.

## **Policy and Decision Making**

The facilitation of policy and decision-making is through the full Council. Committees function within approved Terms of Reference that are reviewed annually. Meetings are open to the public except where personal or confidential matters are being discussed in accordance with the relevant legislation.