

# STOKE SUB HAMDON PARISH COUNCIL

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## **INTERNAL CONTROL POLICY**

**ADOPTED ON 5 APRIL 2017**

### **1 SCOPE FOR RESPONSIBILITY**

- 1.1. The Accounts and Audit Regulations 2003 states that a Council shall be responsible for ensuring that its financial management is adequate and effective and that it also has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 1.2. Stoke sub Hamdon Parish 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.

### **2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

- 2.1 Internal control is designed to reduce financial risk to the Council. The system of internal control is designed to ensure that the Council's activities are carried out properly and as intended.
- 2.2 Internal controls are initially set up by the Clerk/Responsible Financial Officer but it falls to Council members to ensure that they have a degree of control and understanding of those controls, and to work with Clerk/Responsible Financial Officer if required to make any improvements necessary. The Council delegates authority to its Finance Committee in this respect.
- 2.3 Controls will include the checking of routine financial procedures; the examination of financial comparisons; the recording of assets and liabilities; the identification of risk and 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 PERSONNEL INVOLVED WITH THE INTERNAL CONTROL ENVIRONMENT**

- 3.1 The Council appoints a Chairman who is responsible for the smooth running of meetings. The Parish Clerk and the Chairman are responsible for ensuring that all Council decisions are lawful. The Chairman signs the last page of the minutes, and initials all other pages. Decisions made should be within the Standing Orders and Financial Regulations laid down and approved by the Council.

- 3.2 The Council is bound by the policies and risk assessments it adopts for good governance and practice and it falls to councillors to ensure that these are reviewed on a regular basis and updated where required.
- 3.3 The Finance Committee are responsible for reviewing and developing a budget for the following financial year on behalf of the Council ensuring the council's future obligations and objectives can be met. This budget is based on financial information provided by the Responsible Financial Officer to the Committee each October. The Committee must submit a formal report recommending the budget to councillors, and the full Council approves the budgets for the following year at either its December or January meetings. The January meeting of Council approves the level of precept for the coming financial year, once tax base information has been received from South Somerset District Council.
- 3.4 The Responsible Financial Officer is responsible for sourcing competitive quotations each year for insurance cover, ensuring sums assured are still sufficient and for carrying out annual risk assessments before they are submitted to full Council for approval. The Finance Committee is responsible for providing support to the Responsible Financial Officer by reviewing his/her recommendations as part of this process.
- 3.5 The Council receives financial statements which it approves at its Council meetings. Payments are made in accordance with Standing Orders and Financial Regulations. The Parish Chairman, and the Chairman of Finance along with the Clerk/Responsible Financial Officer sign the Financial Statements as circulated to members prior to the meeting and duly tabled for discussion at the meeting.
- 3.6 Two Councillors from an approved list of signatories must sign all cheques and authorise any online BACS payments where applicable. The signatories will also initial the cheque stubs and invoices. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice. The Clerk/Responsible Financial Officer may not authorise payments, but is responsible for ensuring that details of all payments for the month are on the agenda for approval. A resolution from councillors proposed and seconded will agree the receipts and payments made for each month, and provide authorisation for the Clerk to administer these accordingly.
- 3.7 At the end of the Financial Year the Chairman, together with the Chair of Finance, shall ensure that totals are reconciled to the year-end bank statement and the Chairman shall sign the associated year-end correspondence.

#### **4 ELECTRONIC PAYMENTS**

- 4.1 The Legislative Reform (Payments by Parish Councils, Community Councils and Charter Trustees) Order 2014 came into effect on 12th March 2015. This legislation enabled Parish Councils to take an overall approach to how it controls its money as well as taking advantage of modern technology including internet banking. Dual authorisation would still be required which does not require cheques. Authorisation of transactions made by the Responsible Financial Officer would be by electronic signature from any two of a pool of councillors who appear on the banking mandate form and have agreed to be allocated banking tokens for use with the appropriate system.

- 4.2 In the event that Stoke sub Hamdon Parish Council moves to using electronic payments in the future, then such Councillors will be allocated with their own log in and secure identification.
- 4.3 Initial authorisation for transactions will still be required in the usual way by prior resolution at a full Parish Council meeting.

## **5 PARISH CLERK / RESPONSIBLE FINANCIAL OFFICER**

- 5.1 The Council has a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and 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 maintained.
- 5.2 The duties of the Clerk/Responsible Financial Officer are laid down in a Job Description which is reviewed on a regular basis, and the Human Resources Committee is responsible for appraising the Clerk/Responsible Financial Officer each year to ensure that procedures whether statutory, or requested by the Council, are being followed.
- 5.3 The Responsible Financial Officer submits all the requested information to the External Auditor by the required date.
- 5.4 The Responsible Financial Officer arranges for any public statutory notices to be displayed in a timely manner.
- 5.5 The Responsible Financial Officer will retain all relevant documents relating to the financial year for 7 years which includes (Annual Return, VAT Returns, PAYE/NI information, Public Notices, Fixed Asset Register, Risk Assessments, Accounts and relevant supporting information).

## **6 INTERNAL AUDITOR**

- 6.1 The Council appoints an Independent Internal Auditor who will report to the Council on areas including adequacy of its records, procedures, systems, internal control, regulations, risk management and reviews.
- 6.2 The effectiveness of the internal audit is reviewed annually, and the Council agrees to the appointment of the Internal Auditor.
- 6.3 The Internal Auditor inspects the accounts during the current financial year and at the yearend prior to the completion of the Annual Return Statement to the External Auditor. The Internal Auditor will write a separate report to the Council (a copy of which should be given by the Parish Clerk to the Chairman) detailing any findings they might have. This report is also copied to all Councillors and discussed by Full Council as an agenda item. Recommendations from the report are recorded in the Council minutes.

**7 EXTERNAL AUDIT**

7.1 The Council's External Auditors, submit an External Auditors Report which is presented to the Council. Any matters raised on the Annual Return Statement are discussed by the Council with any necessary actions duly recorded.

**8 REVIEW OF EFFECTIVENESS**

8.1 The Council has responsibly for conducting regular reviews 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 and any issues identified by Full Council, Finance Committee, Human Resources Committee, Clerk to the Council/Responsible Financial Officer, Internal Auditor and the Councils External Auditor.

**Approved by the Parish Council on 5 April 2017**

**Signed .....**

**Barbara Brooks, Chair**

**Signed .....**

**Sarah Moore, Clerk to the Council**

**To be reviewed in 2019**