

Cutcombe Parish Council
Internal Controls Policy and Statement
Adopted 21/10/2025 Minute Item 25/122 i)

Scope of Responsibility

Cutcombe Parish Council is responsible for ensuring 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. The council is also responsible for ensuring there is 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.

The Purpose of the System of Internal Controls

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk. It cannot provide an absolute assurance of effectiveness. The system of control is based on an on-going process to identify the risks to achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively, and economically.

The Internal Control Environment

The Council:

- Has appointed a Chair who is responsible for the smooth running of meetings.
- Meets at least 10 times each year, including an annual meeting in May.
- Approves budgets for the following year at its December meeting from which the Council approves the level of precept for the following financial year.
- Regularly monitors, through the quarterly outturns, the actual expenditure against budget.
- Appoints and reviews the work of the Internal Auditor.

The Clerk to the Council/RFO:

- Is responsible for administering the council's finances.
- Is responsible for the day-to-day compliance with the law and regulations that the Council is subject to and for managing risks.
- Ensures that the Council's procedures, control systems and policies are adhered to.

Payments:

All payments are reported to each meeting of the Parish Council. Two members of the approved bank signatories sign every invoice after review of the schedule of payments made through the online banking system by the Clerk.

Risk Assessments/Risk Management:

The council carries out a risk assessment in respect of actions and regularly reviews its systems and controls.

The council annually reviews and agrees its:

- Statement of Internal Controls (attached to this policy)
- Risk Management Policy and Risk Register

Internal Audit:

The council appoints an independent Internal Auditor who reports to the Council on the adequacy of its:

- Records
- Procedures
- Systems
- Internal Controls
- Regulations
- Risk Management
- Reviews

External Audit

The Council's External Auditors are appointed by the Smaller Authorities Appointments Ltd (SAAA) and submit an annual Certificate of Audit, which is reported to the Council.

Review of Effectiveness

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

- The Full Council.
- The Finance and Risk Working Group.
- The Clerk to the Council/RFO who has the responsibility for the development and maintenance of the internal control environment and managing risks.
- The Independent Internal Auditor who reviews the Council's system of internal control and completes the internal audit section of the Annual Governance and Accountability Return (AGAR).
- The External Auditor, who makes the final check using the Annual Return and issues an annual audit report (part 3 of the Annual Governance and Accountability Return).
- The number of significant issues that are raised during the year.

Any concerns about the effectiveness of the system of internal control are investigated and action taken as appropriate.

Cash Book / Bank Reconciliations	• The cash book is kept electronically (in spreadsheet format, maintained up to date from original documents, cash received, invoices, payments made and cheques as they are prepared) • The cash book is reconciled to the bank statement at least quarterly. • The bank reconciliation is reported to the Parish Council in the Schedule of Payments monthly.
Financial Regulations	• The Parish Council has adopted Financial Regulations based on the model version prepared by NALC. The regulations are reviewed for continued relevance and amended where necessary by the RFO with any proposed amendments subject to approval by the Parish Council.
Order/Tender Controls	• The Financial Regulations list the number of estimates, quotes or full tender that must be invited depending on the value and nature of the work.
Payment Controls	• Payments are listed in date order in the cash book. • All invoices for payment are listed on the meeting agenda or Schedule of Payments where the payment is minuted. • Payments made are listed in the Schedule of Payments. Original invoices are signed by two Councillors who are signatories. • Cheques will be signed by two Councillors, who are authorised to sign as shown on the bank mandate. • The RFO is authorised to make electronic payments online up to £1,000 excluding VAT within an agreed budget. These payments are reported to the Full Council each month on the Schedule of Payments where two Councillors check and sign the associated Invoices. • The RFO maintains control of the cheque book at all times, cheques will only be issued and signed for payments approved in Council meetings. The RFO will prepare cheques but is not authorised to sign them.

Payments made under S137 of the Local Government Act 1972 (aka "The Free Resource")	• A separate S137 account is maintained in the budget spreadsheet. • Each year the RFO calculates the maximum allowable amount of S137 expenditure and ensures it is not exceeded. • Each record of expenditure from S137 is properly minuted.
VAT Repayment Claims	• RFO ensures compliance with VAT notice 749. • RFO ensures that all invoices are addressed to the Parish Council. • RFO ensures that proper VAT invoices are received where VAT is payable. • RFO maintains a VAT spreadsheet to show the amount of VAT that is reclaimed in the year and submits a claim for repayment annually.
Income Controls	• RFO ensures that the amount of precept received is in accordance with the precept request sent to Somerset Council. • RFO ensures that the precept is received when due. • RFO ensures that other receipts (rent) are received when due and correctly calculated. • Cash toilet donations are banked promptly.
Financial Reporting	• A budget outturn, comparing actual receipts and payments to the budget is prepared on a quarterly basis, presented to the Parish Council and minuted.
Budgetary Controls	• The budget is approved by the Parish Council before the end of the financial year preceding the year to which it relates. • The precept amount is identified as part of the budget process. The precept demand is issued to the billing authority by the date stipulated by the billing authority.
Payroll Controls	• The Clerk and RFO is an employee and must register the council with HMRC online and is responsible for reporting PAYE and NI. • The Clerk and RFO's salary is set by the Council and any changes are minuted or listed on the schedule of payments. • The monthly salary is paid by electronic bank transfer and reported on the Schedule of Payments. • RFO will ensure that all necessary payroll returns are made to HMRC.
Office and Clerk's expenses	• The Clerk submits a table of expenses for re-imbursement with each monthly salary payment sheet. • The expense cover costs any out of pocket expenses as mileage expenses. • Expenses are paid together with the monthly salary by electronic bank transfer and included within the schedule of payments.
Asset Control	• RFO maintains a full asset register. • The existence and condition of assets are checked by members of the council throughout the year. • The adequacy of insurance of the Parish Council's assets is considered annually in advance of the insurance renewal.