

Great Coxwell Parish Council (the Council) is a local authority funded largely by public money and is responsible for ensuring its financial business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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 which includes arrangements for the management of risk.

The Council is required to review at least annually the effectiveness of its system of financial control. This is informed by the work of the internal auditor and the Councillors, who have responsibility for the development and maintenance of the internal audit environment, and also any comments made by the external auditors in their annual report.

#### The Purpose of the System of Internal Control

The Council's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It cannot provide an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them effectively and economically.

The system of internal control accords with the practices set out in the Accountability and Governance in Local Councils: A Practitioners' Guide (2022 edition).

#### Internal control

- Standing orders and financial regulations:
- Model versions of Standing Orders and Financial Regulations are provided by NALC and ADA. Authorities should ensure that they are working from the latest model and that it has been appropriately adapted for their size and requirements. This should be reviewed and minuted annually.
- Financial Regulations should include a limit for the purchase of goods and services above which three estimates or quotes should be invited from persons or firms competent to do the work.
- It is the responsibility of authorities to determine their own limits but they should not exceed the model except in the very largest authorities.
- As far as possible, a fully priced official order should be sent to suppliers in advance of delivery of goods. Official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority's name. Officers and practitioners should keep up to date with VAT Guidance issued by HM Revenue and Customs.
- Safe and efficient arrangements to safeguard public money:

- Accounts for payment - The payments process should always be carried out in accordance with the authority's Financial Regulations. All payments made since the last meeting should be reported to the next authority meeting. Members should never sign blank cheques or authorise funds transfers which are presented to them unsupported by the appropriate documentation.
- Complete records of the receipts and payments should be maintained including VAT analysis, and regular reconciliation performed, and reported at each authority meeting.
- Where a credit note or refund is issued to a customer or received from a supplier, the two amounts may be "netted off" to reduce the value of the original budget line (for example hall hire or equipment repairs).
- Where a refund is received from a third party (for example as part of an insurance claim) the transactions are not linked and may not be "netted off".
- Effective debt collection is an essential part of proper financial management. Authorities should ensure that invoices raised are paid promptly or that appropriate recovery action has been taken. Authorities whose records are kept on an R&P basis will not have a record of non payment in their accounts, but should note where it arises.
- Irrecoverable debts should be written off, after full consideration of the possibilities for, and the likely costs of, pursuing the debt. Uncollectable amounts, including bad debts, should only be written off with the approval of members, or under delegated authority, by the RFO. The approval should be shown in the accounting records.
  
- Employment:
  
- Authorities are, by definition, employers. The clerk of any Local Council is always an employee if they are remunerated for the role. Authorities are required to be registered with HMRC
- Authorities should pay particular attention to situations where contractors are engaged to carry out the authority's services. Occasions may arise when contractors cease to be self-employed and become employees for tax purposes. Authorities should refer to HMRC's Employment Status Indicator Tool for further information.
- All employers are required by law to take out employers' liability insurance and decide the appropriate level of fidelity guarantee insurance. All cover should be risk based and kept under constant review to make sure it adequately reflects changes in circumstances.
- Authorities should have regard to guidance on employment matters issued jointly by NALC and SLCC, or by ADA.
  
- VAT:
  
- This can be a complex area and authorities are advised to refer to guidance issued by HMRC.
- Smaller authorities with little self-generated income will most likely recover VAT using the VAT126 form.
- Those authorities which are VAT registered, submitting quarterly returns, are, from April 2022, included within the MTD regulations. It would be expected that all such authorities are using HMRC compliant software to prepare their returns.
- Authorities carrying out building projects or managing income generating properties need to ensure that they seek up to date advice about Opting to Tax and Partial Exemption each time they undertake a project.

- Fixed assets and equipment:
  
- An asset register is the starting point for any system of financial control over tangible assets as it:
  - facilitates the effective physical control over assets
  - provides the information that enables the authority to make the most cost-effective use of its capital resources
  - supports the AGAR entry for fixed assets by collecting the information on the cost or value of assets held
  
- forms a record of assets held for insurance purposes.
  - The key information needed in the asset register is: date of acquisition, cost of acquisition, useful life estimate and location along with value held for investments.
  - Assets should be first recorded in the asset register at their actual purchase cost.
  - Assets that are either under construction or have not been brought into use should be included on the asset register only once complete and they benefit the community.
  - Obsolete assets that are no longer in use or are awaiting disposal should be clearly recorded as such.
  - Where an authority receives an asset as a gift at zero cost, for example by community asset transfer, it should be included with a nominal one-pound (£1) value as a proxy for the zero cost.
  - Assets that do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial) are often referred to as 'community assets'. Authorities should record community assets in the asset register in the same way as gifted assets.
  - The particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.
  - For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced.
  - Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for this method of asset valuation.
  - The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's AGAR. Authorities should be able to track and explain fully any changes in the asset register from year to year.