

## **LAVERSTOCK & FORD PARISH COUNCIL**

### **Report for Agenda Item 24.074 Internal Audit Report and Comments**

**Subject:** Review of Internal Audit Report, Observations and Comments  
**Date:** 20<sup>th</sup> May 2024  
**Author:** Andrew Prince, RFO

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#### **1. Report Summary.**

- 1.1 In the course of completing the Internal Control Objectives of the Annual Internal Audit the internal auditor has made several observations and recommendations to the Council. This Report presents those Observations and the subsequent Comments by the Clerk & RFO.

#### **2. Background.**

- 2.1 The Internal Audit requires that fifteen Control Objectives are examined and approved. All Control Objectives resulted in a positive response (Yes) or were 'Not Covered'.
- 2.2 Eight of the Control Objectives resulted in observations and recommendations. The items raised included the following subjects
- 2.3 B. Compliance with Financial Regulations.  
C. Assessment and Management of Significant Risks.  
D. Budgetary process, progress against budget and reserves.  
E. Income and Investment Policy.  
G. Salaries, PAYE and NI.

#### **3. Observations, Recommendations and Comments.**

- 3.1 The Observations and Recommendations of the Internal Auditor are attached at Annex A and include Comments by the Clerk and RFO. The comments have been sent to the auditor.

#### **4. Recommendation.**

- 4.1 That the Council review the Observations and Recommendations of the internal auditor and note the Comments and corrective actions recorded by the Clerk and RFO.

**Laverstock and Ford Parish Council**  
**Financial Year 2023-24**



**IAC Audit and Consultancy Ltd**

Audit date: 8 March 2024

**Pre Year End Internal Audit Observations**

**B** *This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Is use of Debit/Credit card covered in Financial Regulations?	No	<i>The Councils Financial Regulations do not refer to the use of Debit/Credit cards.</i>	The Council to update its Financial Regulations to include specific reference to the use of Credit/Debit cards. The Council may wish to adopt the relevant provisions of NALC Model Financial Regulations.	Medium	Four new sections, 6.12, 6.13, 6.14 and 6.15, have been added to Financial Regulations. They cover changes to the bank mandate, changes to internet banking supplier details, use of a Debit Card and the use of cash. The new version of Financial Regulations will be presented for approval at the Annual Parish Council Meeting in May.
2	Has guidance been issued to staff on the usage of the card?	No	<i>The Council has not issued formal guidance to staff on the permitted usage of Debit/Credit cards.</i>	The Council to issue formal guidance to staff on the permitted usage of Debit/Credit cards. (An example template has been provided to the Clerk.)	Medium	See response to item 1. The guidance is contained in new Financial Regulation 6.14.
3	Has the Council formally Minuted confirmation of bank signatory arrangements?	No	<i>It is not currently practice for changes in bank signatory arrangements to be Minuted.</i>	The Council to ensure any agreed changes to bank signatory arrangements are formally recorded in Minutes of the appropriate meeting.	Medium	The new Financial Regulation 6.12 details the process. This, and the names of current signatories, will be confirmed at the May meeting.
4	Are Powers under which grants are made clearly specified in Council Minutes?	Yes	<i>Council regularly states S137 as the powers under which grants are made. It is not clear that the Council has complied with S137A in respect of grants over £2,000. In a number of instances it appears the powers other than S137 could be used to award these grants.</i>	The Council to review the Powers under which its is awarding grants and ensure that S137 is only used where other appropriate powers are no available.  The Council to note the additional legal requirements under S137A in respect of high value grants.	Medium	The powers will be reviewed for all future grant applications. Feedback on large grants of £2,000 or greater has always been obtained informally by meetings with treasurers or directors of the charities and organisations. The provision of feedback from all successful grant applicants is a requirement of the Council's Grant Policy. In future a formal statement will be required to ensure compliance with Section 137A.

**C This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The value of the Councils Fidelity Insurance covers the value of the Councils cash & bank holdings	No	<i>The value of the Councils Fidelity Insurance does not cover the value of the Councils cash &amp; bank holdings. The limit is set at £1 million.</i>	The Council to review the level of its Fidelity insurance and consider whether it is adequate to cover the value of cash and bank balances held.	Medium	Subject to negotiation with Community First who brokered the policy with Zurich. The previous £1m maximum Guarantee is a condition on brokered policies. A higher Guarantee is available on direct policies. The underwriters have exceptionally agreed a £2m Guarantee on renewal.
2	Major insured assets have been subject to a recent valuation.	No	<i>The Hampton building was subject to a recent valuation for insurance purposes. The Old Sarum facility was last subject to valuation in 2015.</i>	<p>The Council to consider whether it should undertake an insurance valuation of the Old Sarum property.</p> <p>The Council to consider whether it should establish a formal period (for example every 5 years) for the review of valuations of its properties for insurance purposes.</p>	Medium	The reinstatement valuation of the Old Sarum Community Centre has been increased by an average of 5% per annum over the last 9 years. Zurich have consistently applied a construction cost index above the CPI. The reinstatement valuation now stands at £1,699,432. This is before a further index is applied by Zurich for the renewal due on 1 <sup>st</sup> June 2024. It is not thought that the building is underinsured. Quotations are being sought for Reinstatement Cost Assessments and will be presented to Council at the May meeting.

**D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Does the budget recorded in the Councils accounting system agree to the budget set by Council?	No	<p><i>Minutes of Full Council December 2022 state "That the Council approves a Revenue Budget of £207,832 and a Capital Budget of £88,006) a total of £295,838, however budget recorded in the Scribe system is £279,900.00.</i></p> <p><i>The difference in the budget was identified by the RFO during the audit visit - it relates to the budgeted movement in Reserves and a change in the budget in respect of unspent grants.</i></p>	Council to review the budget recorded in the Councils accounting system to ensure that it agrees to the budget approved so that income and expenditure during the year can be monitored against the full budget approved by Council.	High	The budget of £279,900 in the accounting system is the Payment Budget. The budget approved by Council in December 2022 is the net budget after Revenue Income has been deducted. Revenue income has two elements. First the income from rent, sales and interest, and second a transfer of funds from maintenance reserves. The a/c system can show some revenue income (£33,290) but not the income from transfers (£33,488). These are recorded elsewhere in the system. The nature of the approved budget is clear in the accompanying report but perhaps not in the approval minutes. Future resolutions will be clarified.

2	When preparing the budget, and subsequent precept demand, did the Council specifically consider the level of its General Reserve and whether the level of the General Reserve was adequate and not excessive?	Yes	<p><i>The Council (through F&amp;GP July 2023) agreed a level of General Reserve of 4 months. As the Council has a relatively complicated mix of Reserves it is unclear how the Council intends to formally monitor the level of its General Reserve against the target agreed by F&amp;P Committee.</i></p>	The Council to consider how it will monitor the level of its General Reserve against the 4 months target set by F&P Committee. The Council may wish to consider this by reference to the balance as at the prior financial year end when setting the budget and precept for the next financial year.	High	<p>The F&amp;GP meeting in July 2023 was presented with a draft Reserves Policy. This policy explains that the generally accepted (JPAG) recommendation is that the general reserve should be maintained at between three and twelve months of net revenue expenditure. The policy recommended that the Council should endeavour to retain at least 4 months NRE as a General Reserve. The 4-month figure should have been recorded as a minimum not a target. The policy was due for approval at the July 2023 full Council meeting but was missed. It will be presented again at F&amp;GP and full Council in May. The draft Policy stated that the General Reserve at the end of the 2022-23 financial year was £123,132, which was 7.1 months of current NRE. At the end of the 2023-24 financial year the General Reserve was £161,449 (first calculation - to be confirmed), which is approximately 8 months of NRE. The Accounting System can report a level of general fund at any time in its Reserve Balance report but this needs to be balanced against NRE to arrive at an estimate of General Reserve. The RFO constantly monitors this figure.</p>
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**E** *Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Does the investment policy clearly show an awareness of investment risk being taken?	Yes	<p><i>The Councils investment policy states</i></p> <p><i>"4.1 Laverstock &amp; Ford Parish Council will not hold funds other than in bank accounts, or bonds of 12 months or less in duration."</i></p> <p><i>However the Council currently holds most of its funds with the CCLA PSDF which is neither a bank account nor a bond (it is a Money Market Fund)</i></p>	The Council to review its investment policy and consider whether it should be amended to formally permit the holding of deposits with the CCLA PSDF.	Medium	<p>The Treasury and Investment Policy on the Council's website was out of date. It has been replaced by an Annual Investment Strategy approved in April 2022. This was reviewed and approved unchanged in December 2023. The holding of deposits with CCLA PSDF are permitted by this Strategy.</p>

**G** *Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Deductions have been properly paid over to HMRC	Yes	<p><i>Council does not have current login for HMRC PAYE service so cannot check any balance outstanding. It is understood the Council does have a government gateway login for VAT.</i></p>	<p>The Council to add the PAYE service to existing gateway login.</p> <p>In future the Council to check and verify, at least at the end of each financial year, the balance on the HMRC PAYE account.</p>	Medium	<p>An access code has been requested. Online checks will be commenced monthly when it arrives.</p>