

Brixton Parish Council

Internal Audit Report for 2021-22

Introduction and purpose

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Scope of audit

2. I have conducted an internal audit of Brixton Parish Council's accounts for 2021/22 financial year. Its objective was to test and evaluate the effectiveness of the Council's governance, internal financial control and risk management procedures. Where appropriate, a sampling of transactions was undertaken to test the effectiveness of a particular control.
3. The key areas examined are set out in the following paragraphs, together with any findings and recommendations, to enable the Council to consider changes that will enhance the effectiveness of the existing controls.

Governance, internal financial controls and risk management

4. All councils are required to prepare, consider and minute approval of key governance and internal financial control processes. Brixton Parish Council reviewed and approved the following processes during 2021/22.
 - Financial Regulations
 - Standing Orders
 - Internal Control Policy
 - Risk Assessment
 - Health and Safety Policy
 - Investment Policy Anti-Fraud and Corruption Policy
 - Data Protection and Information Security Policy

Audit finding: Key governance and financial policies had been reviewed annually by the Parish Council. Numerous other policies associated with the Council's general practices were reviewed annually or according to need such as business continuity arrangements for COVID-19.

Accounting records

5. The Clerk maintained a cashbook of receipts and payments transactions for each successive month during 2021/22 financial year. Receipts were analysed and totalled for all sources of income received during the month, including VAT where appropriate. Monthly payments were analysed over the required headings, including VAT where applicable, and totalled. Monthly totals of receipts and payments were used in the bank reconciliation process at the end of each month.

Audit finding: The cash book format provided a clear framework to support the internal financial controls.

Bank reconciliations

6. Accounts and Audit Regulations 2015 specify that statements reconciling an authority's bank accounts with its accounting records need to be prepared on a regular basis and reviewed by members of the authority, including the financial year-end. It was confirmed that:-
 - The Clerk performed monthly bank reconciliations.
 - Bank reconciliations were provided for members each quarter and recorded in the minutes.
 - An additional year-end reconciliation, certified by the Chair, was performed for 2021/22 Annual Summary of Accounts.

Audit finding: Reconciliation statements were presented to members each quarter for consideration and approval recorded in the minutes. The procedure was operating effectively.

Budget and Precept for 2022/23

7. Brixton Parish Council met on 26th January 2022 to consider and approve a budget and precept for 2022/23 of £36,245. (Minutes 48.6 and 48.7). The Precept Form Summary was submitted to South Hams District Council on 27 January 2022.

Audit finding: The approved budget and precept total could be trailed to the reconciled receipts and payments account for year ended 31 March 2022.

Budgetary monitoring

8. The Clerk produces a clear up to date statement of receipts and payments for each monthly Parish Council meeting. The statement analyses individual receipts and payments, where those funds have been allocated, and current bank balances. An

agenda, with a copy of the monthly financial statement, is circularised to members prior to each meeting. The data enables budget comparisons and future projections to be made in a timely manner with action taken as necessary. The adequacy of reserves, process for grant claims and possible risk of loss can also be assessed. Brixton Parish Council minutes record what discussions have taken place and any decisions taken as part of the budgetary monitoring process.

Audit finding: The process was transparent and enabled budgetary control to operate effectively throughout 2021/22.

Clerk's salary and expenses

9. The Clerk's rate of pay and conditions are approved by Brixton Parish Council but South Hams District Council administers the payroll records. Monthly payslips are produced by South Hams District Council and forwarded to Brixton Parish Council where a cheque is signed by two authorised member signatories and issued to the Clerk. The following checks were made to test the effectiveness of the controls:-
- Brixton Parish Council minutes of 25 September 2021 confirmed that the Clerk's salary had been reviewed and agreed an increase from Scale Point 24 to Scale Point 25 in accordance with NJC approved scales of pay. The increase was backdated to 1 September 2021.
 - Monthly salary payments were made in a timely manner.
 - Confirmed that South Hams District Council is responsible for calculating appropriate HMRC salary deductions - PAYE, National Insurance and pension contributions. The data is transmitted to the Clerk and the Parish Council makes payment to HMRC.

Audit finding: The control processes were sound with good internal check and a clear audit trail to support the transactions. The Parish Council authorises salary payments to the Clerk and payment to HMRC.

Receipts

10. A substantive check was made on declared total receipts of £ 47,752.15 to verify:-
- each transaction had been accurately recorded in the accounts and properly trailed to the respective bank and building society accounts.
 - Receipts were received for a variety of purposes, for example, precept, grass cutting, temporary holding accounts, grants (including S106 proceeds for restoration of stone wall £5,400.00 and Cofflete £2,450.00), reserves and VAT.
 - Two 2021/22 precept payments totalling £ 34,000.00.

There were no issues to raise and the control procedure is sound.

Payments

11. Ten payments were randomly selected to verify :-

- compliance with Financial Regulations and Standing Orders.
- each transaction was supported by a relevant invoice, till receipt, expense claim or other vouchers and accurately recorded in the accounts.
- VAT had been allocated in the accounts where appropriate.
- a cheque was issued for each payment and the transaction trailed to a relevant bank statement.
- there were no delays in clearing these cheques.

Audit finding :- The tests provided an assurance that the internal controls for payments were operating effectively, despite COVID 19 restrictions.

Insurances

12. The current insurance policy for Brixton Parish Council was approved by members on 22nd May 2019 (Minute 17) for a period of three years from 1st June 2019.

Members were satisfied the policy provided:-

- the range and level of risks required by the Parish Council.
- adequate cover for employers and employees.
- an appropriate level of fidelity guarantee for the associated risks.
- provision to notify insurers of any new risks arising during the period of cover.

Audit findings: - The insurance policy negotiated with Zurich Insurance plc (through Community First) provides for annual reviews from 1st June each year at an initial cost of £320.59 per annum. The renewal quotation of £381.63 for 2021/22 included additional assets. It was considered and approved by members on 5 May 2021 (Minute16.6). The range of cover appeared to be reasonable for the type and level of potential risk. The annual review had been carefully considered and the renewal payment made in a timely way.

Fixed Asset Register

13. The Fixed Asset Register was examined to establish:-

- if it was up to date.
- whether recent purchases have been approved and included in the register.
- sales or disposals have been approved and any income accruing is banked.
- Valuations are realistic and revalued where necessary to allow for depreciation.

Audit findings: - The register was updated during 2021/22 year for purchases and receipts and payments account revaluations of existing assets. Major purchases

during the year included, four planters £1,100, vehicle activated sign £3,500 and trimmer with batteries £1,140. The register total at 31st March 2022 was £43,969.00 and this figure is reflected in the 2021/22 AGAR Accounting Statement.

COVID 19-Policy

14. Brixton Parish Council discussed and agreed to adopt a policy entitled “Covid-19 Business Continuity Arrangements” (with amendment from 7th May 2021) to set out temporary financial control procedures during the COVID 19 lockdown period. These procedures were reviewed and approved by the Parish Council in September 2021, November 2021 and March 2022.
15. The Clerk has delegated authority to initiate current outstanding and urgent payments under this policy.

COVID 19-Internal financial controls

16. As from 7th May 2021, government legislation no longer permitted local authorities to meet virtually. The first “in person” meeting by Brixton Parish Council was on 1 June 2021.
17. In that initial period of lockdown, there was strict compliance with internal check for each stage of the payment process. The procedures were detailed and time consuming but effective financial control was maintained. Members and the Clerk deserve praise for their efforts in maintaining these high standards.
18. At that time the Chairman and other senior members considered whether an online banking system could be set up to alleviate the major practical problems. However, the process of initiating and operating an online system during COVID 19 were found to be impractical and members agreed to continue payment of invoices by cheque.

Audit finding :-

Procedures adopted during COVID 19 lockdown were time consuming but effective.

Online banking

19. Brixton Parish Council is starting to face increasing practical problems where traders prefer payment online rather than by cheque. In addition, telephone ordering normally means payment has to be made online. I have discussed the problem with Kirstie and we both agree it would be unwise for Brixton Parish Council to even consider having a credit card. However, the idea of extending your current account to make payments online may also enable you to access a wider market and potentially better value for money.

20. I recommend Brixton Parish Council considers introducing an online current account banking system but continues to operate payment by cheque which is often favoured by local traders.

Overview and conclusion

21. Brixton Parish Council minutes show that members keep close controls over budget preparation, budget monitoring and payment procedures. These are backed up with a framework of financial policies that have been reviewed annually.

22. The Parish Clerk has been actively involved in all aspects of financial management for Brixton Parish Council. Clear and comprehensive statements of receipts and payments have been presented, with the current banking position, to each monthly meeting of the Parish Council. The process has enabled members to make informed decisions on budget preparation, budget monitoring, precept calculation and purchasing procedures.

23. The Clerk, with full support by members, has developed a Parish website to broaden information available and improve interaction within the community. Members had also approved and upgraded the website to add unlimited pages for parishioners.

24. Brixton Parish Council approved and updated its 2022 -2025 Business Plan to provide a supporting framework of aims and objectives for the future running of the parish.

25. I congratulate Brixton Parish Council on obtaining the LCAS Quality Gold Award for its excellent work.

Peter Vassallo CPFA
10 May 2022