

# Brixton Parish Council

## Internal Audit Report for 2020-21

### 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 2020/21 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 2020/21.
  - 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 monthly business continuity arrangements during COVID-19.

### **Accounting records**

5. The Clerk maintained a cashbook of receipts and payments transactions for each successive month during 2020/21 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 2020/21 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 2021/22**

7. Brixton Parish Council met on 27<sup>th</sup> January 2021 to consider and approve a budget and precept for 2021/22 of £34,000. (Minutes 81.2 and 81.3).

**Audit finding:** The agreed precept application was acknowledged by South Hams District Council on 28 January 2021.

### **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 is transparent and enabled budgetary control to operate effectively.

### **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 sample checks were made to test the effectiveness of the controls :-

- Brixton Parish Council minutes of 30 September 2020 confirmed that the Clerk's salary had been reviewed and increased in accordance with NJC approved scales of pay. An increase in contracted hours had also been approved.
- 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 process was 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 £ 45338.44 to verify:-

- each transaction had been accurately recorded in the accounts and 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 Cofflete of £7,095.00, reserves and VAT repayments.
- Two 2020/21 precept payments totalling £ 34,000.00.

These transactions trailed accurately and promptly to the accounts.

## 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 22<sup>nd</sup> May 2019 (Minute 17) for a period of three years from 1<sup>st</sup> 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 a cost of £320.59 per annum. The range of cover appeared to be reasonable for the type and level of potential risk. The annual review with correct renewal payment was undertaken 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 2020/21 year for revaluations of existing assets. Land at Cofflete Mill was purchased at £6,000.00 but is currently valued at £10,000.00. The register total at 31<sup>st</sup> March 2021 was £43,958.00 and this figure is reflected in the 2020/21 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 7<sup>th</sup> May 2021) to set out temporary financial control procedures during the COVID 19 lockdown period.
15. During this period, the Clerk has delegated authority to initiate current outstanding and urgent payments.

### **COVID 19-Internal financial controls**

16. For the protection of the Parish Council and Clerk, a control sheet was maintained by the Clerk that listed payments since the previous meeting for inclusion with the agenda and retrospective approval by the Parish Council.
17. In that interim period, detailed financial control was still maintained by internal check. Before a payment could be initiated, the Clerk routed requests to all members for their authorisation. The control list of approvals was presented to the next Parish Council meeting for ratification.
18. With the lockdown and a requirement for two members to sign each cheque at Parish Council meetings, normal financial control could not operate. The Council was able to meet virtually to conduct council business. Payment of ratified invoices only became possible with the Chair and Vice-Chair each sharing use of the cheque book to issue and countersign individual cheques. The cheque book was then returned to the Clerk to post the cheques.

### **Audit findings**

Temporary procedures adopted during COVID 19 lockdown were time consuming but effective. The Chairman and other senior members considered whether an online banking system could be set up but urgently to alleviate the current crisis. However, the process of setting up and operating an online system during COVID 19 were found to be impractical and members agreed to continue payment of invoices by cheque.

### **Overview and conclusion**

19. 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.
20. 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.

21. The Clerk, with full support by members, is developing a Parish website to broaden information available and improve interaction within the community. Members have recently discussed and approved an upgrade to the present website that will add unlimited pages for parishioners.

22. Parishioners have also been asked to provide feedback on a business plan for Brixton Parish Council. Their positive response led to the Parish Council adopting Business Plan 2020-2023 with a supporting framework of aims and objectives for the future running of the parish.

**Peter Vassallo CPFA**  
**29 April 2021**