

# Brixton Parish Council

## Internal Audit Report for 2023-24

### 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 2023/24 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 2023/24.
  - 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 also reviewed annually.

## Accounting records

5. The Clerk maintained a cashbook of receipts and payments transactions for each successive month during 2023/24 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 2023/24 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 2024/25

7. Brixton Parish Council met on 31 January 2024 to consider and approve a budget and precept on South Hams District Council for 2024/25 of £45,238. (Minutes 67.6 and 67.7).

**Audit findings:** The Parish Council discussed and approved the budget and precept statements of income and expenditure -2023/24 actual and 2024/25 estimates - presented by the Clerk. The Chair of the Parish Council had properly approved the precept on South Hams District Council. The financial control processes were working effectively.

### **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 2023/24.

### **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 46.1 and 46.2 of 27 September 2023 confirmed that the Clerk's salary had been reviewed and agreed an increase from Scale Point 26 to Scale Point 27 in accordance with NJC approved scales of pay. The increase was effective from 27 September 2023.
  - Monthly salary payments were made promptly.
  - 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 £ 59,657.80 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, two precept payments totalling £40,660.00, SHDC locality funding, temporary holding accounts, P3 grants, shared contributions for River Yealm equipment and VAT refund (April to September 2023).

All the transactions in the sample check were properly accounted for and the control procedure for receipting was sound.

## Payments

11. Eleven 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.
  - Outstanding cheques were followed up cleared promptly.

**Audit finding:** The tests provided an assurance that the internal controls for payments were operating effectively.

## Insurances

12. The current insurance policy for Brixton Parish Council was reviewed and approved by members on 24 May 2023 (Minute 14.7) for a period of three years from 1<sup>st</sup> June 2023. 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 £482.97 was accepted for 2023/24. The range of cover appeared to be reasonable for the type and level of potential risk and the renewal was made promptly.

## **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 2023/24 year for purchases and receipts and payments account revaluations of existing assets. The register total at 31<sup>st</sup> March 2024 was £56,857.20 and the round total is reflected in the 2023/24 AGAR Accounting Statement.

## **COVID Policy**

14. The Business Continuity Plan was reviewed In November 2023 and the contingency is in place until December 2024. The Clerk or Chair will review the arrangements each month to ensure controls can be reintroduced as necessary in line with Government advice.

## **Online banking**

15. Brixton Parish Council sometimes faces practical problems where traders prefer payment online or telephone rather than by cheque. I have previously discussed the alternatives with the Clerk and we both agreed it would be unwise for Brixton Parish Council to even consider having a credit card account.

16. I recommend Brixton Parish Council considers an additional option to introduce an online banking system - perhaps in an emergency - to complement payment by cheque which is operating very effectively and is often favoured by local traders.

## **Overview and conclusion**

17. 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.

18. 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.

19. 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.

20. Brixton Parish Council actively continued its 2023-2026 Business Plan to provide a supporting framework of aims and objectives for the future running of the Parish.

**Peter Vassallo CPFA**

**11 May 2024**