

Brixton Parish Council

Internal Audit Report for 2016-17

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 2016/17 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 and internal financial control

4. All councils are required to prepare, consider and minute approval of key governance and internal financial control processes either annually or periodically. Brixton Parish Council reviewed and approved the following processes in 2016/17:-
 - Internal Control Policy (April 2016)
 - Risk assessment (April 2016)
 - Standing Orders (February 2017)
 - Financial Regulations (April 2016)
 - Data Protection and Information Security Policy (July 2016)

The following Policies were approved in April 2017

- Anti-Fraud and Corruption Policy
- Investment Policy

Audit finding: Key governance and financial policies had been reviewed annually and revised where necessary.

Transparency Code

5. The Smaller Authorities Transparency Code that came into force on 1st April 2015 requires those authorities to publish online information about their activities, spending and governance. The main aim is to improve the ability of communities to hold public bodies to account. Brixton Parish Council applied for and received Transparency Code funding in April 2016. The funding has been used to purchase a laptop and printer/scanner and associated costs of setting up a website and training for the Clerk.

Budget and Precept for 2017/18

6. Brixton Parish Council met on 25th January 2017 to consider and approve a budget for 2017/18. Total expenditure amounted to £27,177 and members formally approved a precept of £27,200 that included a Council Tax Support Grant of £860.00 for 2017/18. A formal precept statement was signed by the Chair and Clerk at the meeting and emailed to South Hams District Council on 27th January 2017. The calculations were accurate and the internal control process was transparent.

Budgetary monitoring

7. 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. The process is transparent and appears to be working well.

Clerk's salary and expenses.

8. The Clerk's rate of pay and scale point is approved by Brixton Parish Council following an annual appraisal 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 were examined from January 2016 onwards to verify the Council had approved the rates of pay, scale point increases, increase in hours and responsibilities.
- Payments for additional hours were approved and supported by timesheets.
- Salary payments were made in a timely manner and in accordance with the approved rates of pay.
- Confirmed that South Hams District Council was responsible for making and accounting for the appropriate salary deductions for PAYE, National Insurance and Pension contributions.

Audit finding: The control process was sound with a clear audit trail to support the transactions.

Receipts and income

9. Test checks were made on a sample of ten receipts to verify:-
- each of the transactions had been accurately recorded in the accounts and agreed with bank statements.
 - income was received for a variety of purposes, for example, temporary holding accounts, grant income, reserves and tax repayments. These appeared to be appropriately coded in the accounts.

Audit finding:-The sample tests were satisfactory and there are no issues to report.

Payments

10. 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 controls were operating effectively.

Insurances

11. An annual internal review of insurance risks is undertaken Brixton Parish Council to assess whether existing cover is adequate. The current policy was reviewed to confirm:-

- the range of risks covered and the extent of the cover has been recorded and approved in the minutes.
- that the policy incorporates adequate cover for employers and employees.
- the level of Fidelity Guarantee is appropriate for the risks.
- whether it is viable to provide cover for items on the Fixed Asset Register.

Audit findings: - The range of cover appears adequate but annual reviews are important, for example, the Clerk recently identified that current cover for volunteers working on or near the highway had not been included in a new quotation for the forthcoming year. A revised quotation has been requested.

Fixed Assets

12. 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 has been updated for the purchase of laptop and printer during 2016/17 but unused gardening equipment valued at £630.00 had apparently been returned to Devon County Council 5 or 6 years ago. It is recommended the entry is deleted from the register.

Bank reconciliation

13. The 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:-

- bank reconciliations were performed quarterly
- a reconciliation was re-performed for 2016/17 Annual Summary of Accounts.

Overview and conclusion

14. 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 are reviewed annually.

15. 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 valued work has enabled members to make informed decisions on budget preparation, budget monitoring, precept calculation,

purchasing procedures. Transparency funding has enabled the Clerk to develop an App and website for the Parish Council to broaden the information available to the community.

Peter Vassallo CPFA
11 May 2017