

# Brixton Parish Council

## Internal Audit Report for 2019-20

### 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 2019/20 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 2019/20.
  - 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 spreadsheets of receipt and payment transactions for each successive month during 2019/20 financial year. The receipts spreadsheet analysed and totalled 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 provides 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 was performed for 2019/20 Annual Summary of Accounts.

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

### **Budget and Precept for 2020/21**

7. Brixton Parish Council met on 29<sup>th</sup> January 2020 to consider and approve a budget and precept for 2020/21 of £34,000 for 2020/21. (Minute 82.4)

**Audit finding:** The agreed precept application was acknowledged by South Hams District Council on 11<sup>th</sup> February 2020.

### **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 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 April 2019 onwards to verify the Council had approved the rates of pay and scale point increases.
- Salary payments were made in a timely manner and in accordance with the approved rates of pay.
- 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 and income**

10. A substantive check was made on the declared income of £42,942.07 to verify:-

- each transaction had been accurately recorded in the accounts and trailed to the respective bank and building society statements.
- income was received for a variety of purposes, for example, precept, grass cutting, temporary holding accounts, grant income (including S106 proceeds for Cofflete of £9,085.42), reserves and VAT repayments.
- Two 2019/20 precept payments totalling £29,000.00.

These transactions trailed accurately 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.

## Insurances

12. An annual internal review of insurance risks was undertaken by Brixton Parish Council on 22<sup>nd</sup> May 2019 (Minute 17) to assess whether the existing cover is adequate. Members approved renewal of the current policy and were satisfied that it incorporated:-

- 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 year.

**Audit findings:** - Insurance cover for the Parish is provided by Zurich Insurance plc (through Community First). The policy was renewed over a three year period from 1<sup>st</sup> June 2019 at a cost of £320.59 in the first year. The range of cover appeared to be reasonable for the type and level of potential risk and the annual review and renewal process 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 2019/20 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 2020 was £43,058.00 and this figure is reflected in the 2019/20 AGAR Accounting Statement.

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Mrs E Hitchins  
Chair  
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3 June 2020

Dear Mrs Hitchins,

**Internal Audit of Brixton Parish Council – 2019/20**

The Internal Audit of Brixton Parish Council has now been completed and I enclose two certified copies of my report for the Council to consider. I welcome any feedback that members wish to make about the audit.

COVID 19 lockdown has meant the Internal Audit could only be conducted remotely. In order to maintain professional standards, the key data and documentation had to be either scanned, emailed or sourced online. Kirstie Aldridge willingly accepted the challenge to supply all the data requested and without her help an effective internal audit would not have been possible. She responded immediately to any procedural points that needed clarification and these were quickly resolved.

I am pleased to say the audit went well and financial controls were operating effectively during the year. Clear leadership, dedication and active support of senior members has been a major factor in the successful way the Parish Council operates.

I would like to express my sincere thanks to Kirstie for her support and first class work throughout the online internal audit process.

Yours sincerely,

  
Peter Vassallo