

Brixton Parish Council

Internal Audit Report for 2017-18

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 2017/18 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. Brixton Parish Council had a programme to review and approve the following processes in 2017/18.
 - Financial Regulations (April 2018)
 - Standing Orders (February 2018)
 - Internal Control Policy (April 2018)
 - Risk Assessment (April 2018)
 - Investment Policy (April 2018)
 - Anti-Fraud and Corruption Policy (April 2018)
 - Data Protection and Information Security Policy (July 2017)

Audit finding: Key governance and financial policies had been reviewed annually by the Parish Council.

Budget and Precept for 2018/19

5. Brixton Parish Council met on 24th January 2018 to consider and approve a budget for 2018/19 with expenditure of £27,200.00 and income of £2,505.00. Additionally, members formally approved a precept of £27,200.00 that included a Council Tax Support Grant of £775.00 for 2018/19. A formal precept statement was signed by the Chair and Clerk at the meeting on 24th January 2018 (Minute 21) and emailed to South Hams District Council. The calculations were accurate and the internal control process was transparent.

Budgetary monitoring

6. 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.

7. 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 2017 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

8. Test checks were made on a sample of eight receipts to verify:-
- each of the transactions had been accurately recorded in the accounts and trailed to 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 all income due appears to have been received. There were no issues to report.

Payments

9. 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.
 - 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

10. An annual internal review of insurance risks is undertaken by 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.
 - Any new risks arising during the year are notified to the insurers
 - whether it is viable to provide cover for items on the Fixed Asset Register.

Audit findings: - Insurance cover for the Parish is with Zurich Insurance plc (through Community First). The range of cover appears to be reasonable for the type and level

of potential risk. Each year and councillors discuss, review and approve any changes to the level of cover they deem to be necessary.

Fixed Asset Register

11. 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 2017/18 year for changes in the value of some street furniture, refurbishments to concrete bus shelters and new purchases– notably £11,183 for Brixstix play equipment- and two telephone kiosks bought for a nominal £1.00 but valued at £1,500.00 each. The register total at 31st March 2018 was £32,483.00 and this figure is reflected in the 2017/18 Annual Governance and Accountability Return (Section 2 Accounting Statement).

Bank reconciliations

12. 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.

- **Audit findings :-** Bank reconciliations were performed quarterly during the year and a final reconciliation was re-performed for 2017/18 Annual Summary of Accounts. Details were recorded in the minutes and the control was operating satisfactorily.

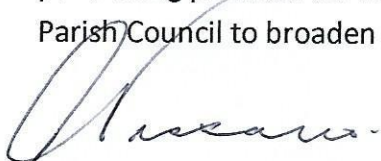
Some general advice was offered to the Clerk to enhance the format for bank reconciliation statements to ensure the figures could be accurately trailed to the accounts and Annual Governance and Accountability Returns.

Overview and conclusion

13. 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.

14. 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. The Clerk has also developed an app and website for the Parish Council to broaden information available to the community.



Peter Vassallo CPFA

21 May 2018