



ISSUES ARISING REPORT FOR  
Berwick-upon-Tweed Town Council  
Audit for the year ended 31 March 2015

## Introduction

The following matters have been raised to draw items to the attention of Berwick-upon-Tweed Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2015.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Minor issues
  - Accounting Statements not approved by 30 June
  - Portas Project
  - Financial Regulations
  - Internal controls
  - Internal Audit
  - Precept approval
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The following issue(s) have resulted in the annual return being qualified. They indicate a weakness in the council's procedures and require the council to take immediate action.

**Accounting Statements not approved by 30 June**

*What is the issue?*

The council failed to approve Section 1 of the Annual Return ("the accounting statements") by the statutory deadline of the 30 June.

*Why has this issue been raised?*

This is a breach of regulation 13, paragraph 3a of the Accounts and Audit (England) Regulations 2011 which states that the accounting statements shall be approved "as soon as reasonably practicable and in any event before 30 June immediately following the end of a year."

*What do we recommend you do?*

The council must ensure in future years that the accounting statements are approved, and signed as approved, by the 30 June immediately following the end of the year.

Further guidance on this matter can be obtained from the following source(s):

Accounts and Audit (England) Regulations 2011 - [legislation.gov.uk](http://legislation.gov.uk) website

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The following issue(s) have been raised as there are minor errors on the annual return which we wish to draw to the attention of the council so they do not occur again in future years.

#### **Minor issues**

##### *What is the issue?*

The following issues have been raised as minor issues or omissions have been identified in the current year's Annual Return:

The comparative figures disclosed in Section 1 of the Annual Return do not agree to the audited Annual Return for the year ended 31 March 2014.

##### *Why has this issue been raised?*

This is to draw these minor errors to the attention of the council.

##### *What do we recommend you do?*

The council should ensure in future years that the above minor errors or omissions are not included in the Statement of Accounts.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

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The following issue(s) have been raised to assist the council. The council is recommended to take action on the following issue(s) to ensure that the council acts within its statutory and regulatory framework.

### **Portas Project**

#### *What is the issue?*

The council took on the role of 'Delivery Organisation' for the Portas Project in September 2013. However, an agreement was not signed until April 2015 which was back dated to July 2014.

This final agreement required the Town Council to obtain best value for money, however the Council has not maintained any documentation to evidence that they secured this by obtaining three written quotes for all expenditure over £10,000 and obtaining internet comparisons for purchases up to £10,000.

The council delegated spending approvals to a group consisting of a councillor and non-councillors who met in private with no formal notice of the meetings being published.

#### *Why has this issue been raised?*

The council was therefore operating during the year without agreed terms and conditions for grant funding in place and was exposed to the risks associated with that.

The Council may have breached the agreement.

The Council can only delegate functions to a committee, sub-committee or officer. The group which met was not formally constituted under the Local Government Act 1972 and did not hold meetings in accordance with the Public Bodies (Admission to meetings) Act 1960.

#### *What do we recommend you do?*

The Council is no longer acting as delivery organisation as this role was removed from them in July 2015. If however, the Council is involved in any such agreements in the future it should take note of the above matters and ensure they are taken into consideration.

Further guidance on this matter can be obtained from the following source(s):

The Local Government Act 1972

The Public bodies (Admissions to Meetings) Act 1960

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

### **Financial Regulations**

#### *What is the issue?*

The financial regulations, although based upon a NALC model, are out of date and do not refer to the actual procedures and practices in place at the Council.

#### *Why has this issue been raised?*

The council is at risk of not conducting their business legally, efficiently and effectively.

#### *What do we recommend you do?*

The Financial Regulations should be updated as soon as possible or in any event before the end of the

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current financial year.

The council can contact their local NALC representative who will be able to provide the council with an updated model set of Standing Orders and Financial Regulations, which incorporate the changes introduced by the Accounts and Audit (England) Regulations 2011, which the council should review, amend if necessary and formally adopt.

The Council should ensure that the regulations reflect current practices such as having an outsourced payroll department, more than one employee and ensure that all amounts and references are correctly included.

This adoption must be minuted and the minute reference and date recorded on the Financial Regulations for future reference.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

### **Internal controls**

#### *What is the issue?*

The council has a lack of documented and undertaken internal controls in a number of areas.

#### *Why has this issue been raised?*

The Council has:

- No investment policy despite having reserves and there is no interest income included in the budget
- The budget has no overall policy direction
- There are no contingencies included in the budget for any unforeseen circumstances
- Although budgets are set by committees they do not regularly monitor the budget
- The bank reconciliation is not documented on a regular basis and is not reviewed by anyone
- Invoices when agreed for payment are not matched to purchase orders and no confirmation of goods delivery or services provided is evidenced on them; and
- There is no established procedures over the raising of income invoices, so when invoices are raised they are not sequentially numbered and often the pro-forma invoice template is not used.

#### *What do we recommend you do?*

The council should take action to resolve the above matters as soon as possible and put procedures in place.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

### **Internal Audit**

#### *What is the issue?*

The Council have no evidence of agreeing the scope and extent of the internal audit. Out of the 8 recommendations made by internal and external auditors over the past 3 years only three of the matters have been fully actioned.

#### *Why has this issue been raised?*

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The Practitioners' Guide, which is proper practices, state that the Council must engage an independent and competent person to undertake a review of their internal controls and also ensure that the internal audit is proportionate to the needs, the size and the circumstances of the council.

The Council has a duty to take action on all recommendations made and there is no monitoring of implementation of the recommendations made.

*What do we recommend you do?*

The council should ensure that procedures are put in place to ensure that all recommendations are acted upon and monitored.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

#### **Precept approval**

*What is the issue?*

Although a budget was prepared and approved by the Environment and Regeneration Committee, the actual amount of precept resulting from this and other sub-committee budgets was not resolved at a meeting of the full Council.

*Why has this issue been raised?*

The Council must resolve to approve the precept request before it is made.

*What do we recommend you do?*

The council must ensure in future that when the final entire budget is reviewed and approved the resulting precept is resolved and approved also.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC  
The Local Government Finance Act 1992

**No other matters came to our attention.**

For and on behalf of  
BDO LLP

Date: 24 February 2016

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