



Berwick-upon-Tweed  
Town Council

**Report to the Councillors on the findings from the internal audit visit**



**June 2023**

The Councillors  
Berwick upon Tweed Town Council  
Unit 1, 82-88 Marygate  
Berwick upon Tweed  
TD15 1BN



15 June 2023

Dear Sirs

**Internal Audit Summary Report for the year ended 31 March 2023**

The internal audit of the Town Council is now complete, subject to any comments by Councillors on our report on findings.

The primary purpose of this Internal Audit Summary is to report to you our principal findings relating to the work carried out in relation to the operating practices of the Town Council with a view to making recommendations where appropriate for improvement of the efficiency and effectiveness of those practices over the twelve month period to 31 March 2023.

This report covers a review of the following areas:

- The maintenance of the **accounting records**;
- Financial regulations in relation to the Council's annual **expenditure**;
- The Council's **budgetary process**;
- **Completeness** of expected **income**;
- Processes around **petty cash payments**;
- **Approval of salaries** and allowances to members;
- The maintenance of **asset registers**;
- Processes around periodic and year end **bank reconciliations**;
- Preparation of the **financial statements** and the **accounting basis** of the Town Council; and
- Assessment of compliance with the requirements for **public rights notifications**

We would like to take this opportunity of thanking Steve Cozens and Julian Smith for their efficient assistance during the course of our internal audit.

Yours faithfully

**Ryecroft Glenton**

Chartered Accountants and Statutory Auditor  
32 Portland Terrace, Newcastle upon Tyne, NE2 1QP

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# **Berwick upon Tweed Town Council**

## **Report to the Councillors**

### **On the internal audit for the year to 31 March 2023**

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#### **Section 1: Executive summary**

We carried out our internal assurance work in the week commencing 5 June 2023. The purpose of our work was to provide the Councillors with independent assurance that:

- the Town Council is operating financial internal control practices effectively; and
- to ensure that the Town Council is maintaining an appropriate system of risk management.

During our work, with the agreement of the Councillors, we specifically examined the procedures and controls around the following areas.

- accounting records;
- appropriate payments;
- risks assessments;
- budgetary processes;
- completeness of income;
- petty cash;
- payroll;
- asset registers;
- bank reconciliations; and
- preparation of accounting statements and the basis of accounting.

In addition, we are asked to confirm that the Town Council has complied with the provision of authority for the exercise of public rights.

Overall, we have satisfied ourselves with the standard of the accounting records and internal controls throughout the accounting period to 31 March 2023, and have been able to sign the Annual Internal Audit Report 2022/23 with no exceptions that would require us to carry out additional work.

However, we have made recommendations relating to the following:

- a. use of purchase orders and approval of low value expenditure;
- b. matching of purchase orders to purchase invoices, and verifying the arithmetic accuracy of invoices; and
- c. fixed asset register to be kept up to date throughout the year and reconciled.

# **Berwick upon Tweed Town Council**

## **Report to the Councillors**

### **On the internal audit for the year to 31 March 2023**

#### **Section 2: Scope of the internal audit**

The role of internal audit involves the assessment of operating practices with a view to the improvement of their efficiency and effectiveness of your systems of control. It includes the review of your risk management procedures and the risk register, the evaluation of controls and testing to confirm that effective control procedures continue to operate.

It is the responsibility of the Town Council to maintain an appropriate system of risk management and internal control. It is the role of internal audit to appraise these systems and to report on their effectiveness and compliance.

An internal audit plan has been prepared in association of the requirements of the internal control objectives of the Annual Internal Report 2022/23 and agreed with the Councillors of the Berwick upon Tweed Town Council.

Our work was designed to confirm that the Town Council's controls continue to work effectively and to assess the appropriateness and effectiveness of the controls in place. Our work will give priority to those areas that are significant in regulatory terms and which present the greatest commercial risk. Attention will also be paid to those areas that provide management information to enable the Councillors to make well-informed and timely financial decisions.

The work that we have undertaken will meet the standards established by the Institute of Internal Auditors and published in its professional guidance series.

#### **Internal control objectives:**

- a. Appropriate accounting records have been kept properly throughout the year;
- b. This smaller authority met its financial regulations, payments were supporting by invoices, all expenditure was approved and VAT was appropriately accounted for;
- c. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- d. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate;
- e. Expected income was fully received, based on the correct prices, properly recorded and promptly banked; VAT was appropriately accounted for;
- f. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for;
- g. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied;
- h. Asset and investment registers were completed and accurately and properly maintained;
- i. Periodic and year end bank account reconciliations were properly carried out; and
- j. Accounting statements prepared during the year were prepared on the correct basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
- k. During summer 2022 the proper authority for the exercise of public rights has been provided.

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate)**

Internal control objective and findings	Councillor/ RFO response
<p><b>a. Appropriate accounting records have been kept properly throughout the year;</b></p> <p>The Town Council operates a computerised accounting system - Omega (RBS Rialtas), as well as various other manual accounting reporting processes based on the financial output of data from the computerised system. The purpose of these additional reports is to provide further detailed analysis of the summarised accounting information from Omega, in order to report to the Council's Committee. This accounting system was implemented in 2017/18 and is a more rigorous system than the previous one as it allows for improved reporting options and in this current year the system has been used to its full capacity by the town clerk. A purchase ledger module tool was added in the summer of 2020 which is working well, subject to comments below regarding use of purchase orders in certain situations and manually checking invoices to orders.</p> <p>The Town Council operates a good filing system over its supplier invoices, with a clear audit trail to the cash book/accounting system, and through to payment.</p> <p>Our findings did not identify any concern over the accounting system and the state of the accounting records kept throughout the financial year.</p> <p><b>Reporting of fixed assets</b></p> <p>The Balance Sheet report from the system does not report the tangible fixed assets held by the Town Council however the guidance is that asset registers are maintained. At the time of our visit this had not been updated for the year to 31 March 2023 and this is currently in the process of being reviewed. The difference of £2,457.20 is not material to the total value of the assets. This should be reviewed and updated in the year to 31 March 2024.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>b. This smaller authority met its financial regulations, payments were supporting by invoices, all expenditure was approved and VAT was appropriately accounted for.</b></p> <p>We have reviewed the processes surrounding the Town Council's expenditure, in particular the approval and authorisation processes over procurement and payment.</p> <p>Our review involved testing a sample of expenditure throughout the financial period from the stage of ordering through to the payment of the goods/services. Our testing identified the following:</p> <p><b>Purchase orders are not always prepared and/or fully completed.</b></p> <p>We understand, due to the nature of some of the purchases being made, that purchase orders are not always considered relevant, such as rent and the external audit as these are recurring transactions. In respect of the provision of services from Northumberland County Council a request for work email is completed, however there is no evidence of this being reviewed or countersigned. In addition purchase orders that are required for all purchases over £1,000 are not authorised.</p> <p><b>Authorisation of invoices for payment</b></p> <p>We note that the system for the authorisation of purchase invoices for payment following the move to BACS payment is working efficiently. A proposed BACS listing with copies of invoices is sent to the signatories for approval before the 2 stage BACS online payment process is carried out. Additional safeguards are in place for initial payments to new suppliers with £1 sent as an initial payment with confirmation of receipt required before the total payment is processed.</p> <p><b>Recommendation</b></p> <p>We recommend that purchase orders are produced prior to all relevant goods and services being ordered, and fully completed for all expenditure including signed approval for procurement and payment.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>Processes around purchase invoices were not always adhered to.</b> Our understanding is that all purchase invoices received are "grid stamped" to confirm the following:</p> <ul style="list-style-type: none"> <li>a. Voucher number</li> <li>b. Cost centre</li> <li>c. Nominal code</li> <li>d. Method of payment</li> <li>e. Date paid</li> <li>f. Authorised by two council members</li> </ul> <p>We noted on a number of occasions that the required information was not always fully completed:</p> <ul style="list-style-type: none"> <li>• where purchase orders are produced, there was no evidence that these were agreed to the invoice.</li> </ul> <p>With the exception of the above:</p> <ul style="list-style-type: none"> <li>• all expenditure was verified to supporting invoice/receipt.</li> <li>• all expenditure reviewed was in respect of a legitimate expense; and</li> <li>• all expenditure reviewed was appropriately accounted for.</li> </ul> <p><b>Recommendation and Overall conclusion</b> Overall, the controls over expenditure are adequate. We would however recommend that the use of the grid stamp is fully utilised.</p>	



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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>c. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b></p> <p>The Town Council has a continued obligation to assess, monitor, and manage the risks it is exposed to, and the safeguards implemented to mitigate them.</p> <p>A detailed review of risks has been carried out in December 2022 and an updated risk register with back up schedules was presented to the Town Council which was accepted.</p> <p>The Town Council also provide training to the councillors in respect of Annual Governance and Assurance.</p> <p>An appropriate risk register is in place and is considered to be a key tool of effective management. It includes the following.</p> <ul style="list-style-type: none"> <li>• assessment of the objectives;</li> <li>• risks associated with these objectives;</li> <li>• pre-mitigation assessment of risk (high, medium, low);</li> <li>• ways to mitigate risks identified;</li> <li>• assessment of post mitigation risk;</li> <li>• direction of travel; and</li> <li>• notes and comments</li> </ul> <p><b>Conclusion</b></p> <p>We are satisfied that adequate consideration and monitoring of the Town Council's exposure to risks is in place, including management and mitigation procedures.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>d. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b></p> <p>During our visit we discussed the precept setting, budgetary process and classification of reserves with the Finance Officer.</p> <p><b>Precept</b></p> <p>The Precept (also considered in e. below), is based on the required level of income required to cover expenditure. Following discussions and from a review of the minutes in the year we were able to agree the precept requirement requested from Northumberland County Council of £346,963 for 2023/24. The increase is to allow the council to reduce its dependence on the Schedule III income by increasing the precept to cover the fixed cost of its services.</p> <p><b>Budgetary process</b></p> <p>The annual budgets are prepared by the Officers on the basis of instructions provided by Councillors and presented to the Council Committee for review and approval.</p> <p>Throughout the year, the actual results, including a comparison to the previous year and to budget, are reported at the Budget and Administration Committee meetings. Included in this review are explanations over any variances to budget.</p> <p><b>Reserves</b></p> <p>The Town Council has what would be seen as general and designated reserves (which are split between projects of the council). The Councillors appear to have a good and clear understanding of the Town Council's reserves and have an appropriate policy for reserves equal to approximately ten months' operating costs.</p> <p>Fixed assets have been manually included within the balance sheet at 31 March 2023.</p> <p><b>Conclusion</b></p> <p>Overall, we have not identified any issues or concerns over the precept, budgetary process and reserves of the Town Council.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>e. Expected income was fully received, based on the correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b></p> <p>We discussed with the assistant town clerk all expected sources of budgeted income for the financial period and obtained supporting documentation to establish the expected amount of income for each source to verify and confirm completeness of income reported in the financial statements. There were no outstanding debtors at the year end which has been agreed to source documentation.</p> <p>The Freemen Trust remit funds to the Town Council without supporting correspondence. We are aware that the Freemen Trust carries out a calculation in arriving at the amount that is remitted to the Town Council; however, as the Town Council are not privy to this calculation, we have no means by which we may verify this source of income.</p> <p>Overall, based on the work done, we are satisfied and can confirm;</p> <ul style="list-style-type: none"> <li>a. expected income was received; and</li> <li>c. it was properly recorded and banked.</li> </ul>	
<p><b>f. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.</b></p> <p>Our testing consisted of reviewing the petty cash records and confirm that;</p> <ul style="list-style-type: none"> <li>a. all payments were supported by receipts;</li> <li>b. all payments were approved; and</li> <li>c. VAT accounted for, where applicable.</li> </ul> <p>We have no exceptions to note.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>g. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.</b></p> <p>The Town Council makes use of the services offered by Northumberland County Council ("NCC") for the administration of its payroll requirements, as well as ensuring their obligations to PAYE, NIC and pensions deductions are maintained, including meeting all statutory deadlines.</p> <p>The Town Council operates a monthly payroll. The NCC, once processing of the monthly payroll is complete, invoices the Town Council for the gross monies in relation to that month to make the necessary payments.</p> <p>We are satisfied that all salaries and deductions were paid during the year. We have not been able to review the standing data of the Town Council's payroll due the outsourced operation, although from review of the 2021 Financial Regulations we are satisfied that all controls and procedures are adequate.</p> <p>We have not seen any evidence of non-compliance with PAYE, NIC or pensions obligations or similar, and therefore have no exceptions to note.</p>	
<p><b>h. Assets and investments registers were completed and accurate and properly maintained Investments.</b></p> <p>The Town Council hold a significant amount of cash at the financial period end, around £319,000. A large proportion of this is held separately to the main day to day current account with £73,000 held in that account.</p> <p>The Councillors agreed in the Town Council in July 2016 to transfer £75,000 to separate accounts primarily to mitigate the risk of failure of its bank by taking advantage of the Financial Services Compensation Scheme (FSCS) and mitigating risk generally. Accounts have since been opened with Melton Building Society, Nationwide and the Charity Bank.</p> <p>We noted that at 31 March 2023 that the 3 above accounts have been reconciled to the bank statements and interest posted to the trial balance.</p> <p>Councillors should note that the current FSCS limit is set at £85,000.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>Assets</b></p> <p>The Town Council maintains a fixed asset register, which should be updated for all additions and disposals.</p> <p>From review of the asset register we noted that;</p> <ul style="list-style-type: none"> <li>a. the register has not been fully updated as there is a small difference of £2,457.20 compared to the nominal ledger.</li> </ul> <p>There has been a review of the fixed asset register at the year end 31 March 2023 to ensure that assets of the Town Council have been correctly included within the register. This register is still in the process of being updated.</p> <p><b>Recording of asset additions</b></p> <p>The recording of fixed assets is not in line with JPAG guidance that purchases are recorded as expenditure and receipts from sales are recorded as income until this difference has been satisfactorily reconciled.</p>	
<p><b>Assets transferred to the Town Council</b></p> <p>We understand that the assets transferred from the Town Council are included at a transfer value. We are not able to identify the assets transferred to the Town Council.</p> <p><b>Recommendation</b></p> <p>The fixed asset register needs to be brought in line with the underlying records as soon as possible.</p>	

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**Section 3: Summary and findings of detailed work done (including recommendation where appropriate) – cont**

Internal control objective and findings	Councillor / RFO response
<p><b>i. Periodic and year end bank account reconciliations were properly carried out</b> We noted that bank reconciliations have been signed as being prepared and reviewed by the relevant people with no errors identified.</p>	
<p><b>j. Accounting statements prepared during the year were prepared on the correct basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded</b> We note the following:</p> <ul style="list-style-type: none"> <li>a. financial accounts are prepared using Omega, on a basis of income and expenditure, by the Finance Officer / Assistant to the Town Clerk;</li> <li>b. the financial statements agree with the cash book and underlying records; and</li> <li>c. the preparation of financial statement, includes manual adjustments consisting of: <ul style="list-style-type: none"> <li>i. reclassification adjustments; and</li> <li>ii. provision of accrued income and expenditure including £10,250 of one off accrued expenditure regarding unbilled electricity and a compromise agreement with an employee. Back up documentation has been seen in respect of both of these amounts.</li> </ul> </li> </ul>	
<p><b>k. The authority has demonstrated that during Summer 2022 it correctly provided for the exercise of public rights</b> We confirm that the appropriate actions have been taken. The notice is displayed on the Town Council's website.</p>	