

Seahouses Accountancy Services

Robert Leatham
Berwick Town Council
5 The Chandlery
Quayside
Berwick upon Tweed
Northumberland
TD15 1HE

25 June 2015

Dear Robert,

Berwick Town Council Internal Audit Report

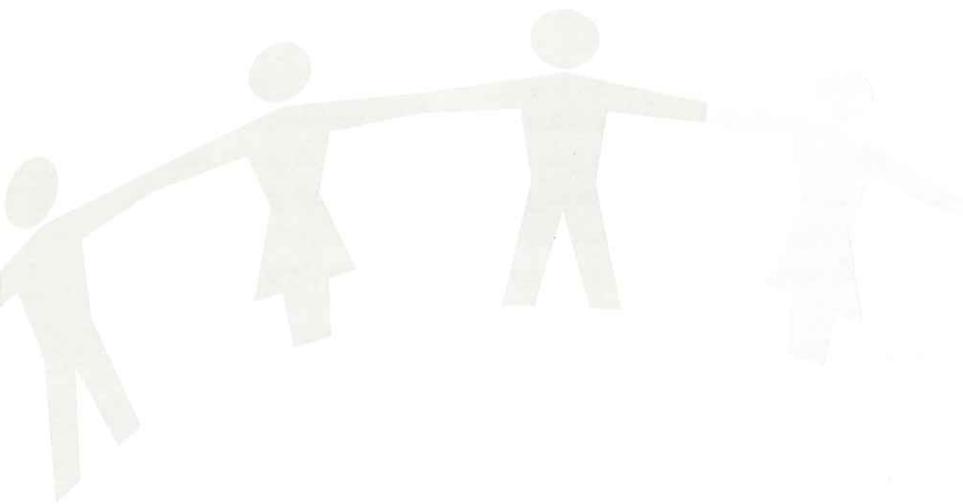
Further to our email correspondence, I attach our signed internal audit report for the year ended 31 March 2015 for your records.

Thanks again for your assistance, and for appointing us for this work.

Yours sincerely,



**Richard Alsept
Accountant**



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Seahouses Development Company Limited.
Registered in England and Wales no. 5958780.
Registered office 62/64 Main Street, Seahouses, NE68 7TP

Berwick Town Council

Independent Internal Audit Report, year ended 31 March 2015

Summary of work carried out:

An internal audit inspection of the Council's accounting and other financial records was carried out at the Council's offices at 5 The Chandlery, Quayside, Berwick-upon-Tweed on 23 June 2015. The inspection was carried out in order to meet the requirements of the internal report section of the Annual Return for local councils in England.

The staff responsible for carrying out the work were: Richard Alsept and Nicola Alsept.

We confirm that this firm, and the staff carrying out the work meet the criteria for independence, and are appropriately qualified to undertake the inspection.

The work was planned and carried out on the basis of an appropriate assessment of risk. The work included a review of the financial statements for the year ended 31 March 2015, agreement of the statements to supporting accounting records, a review of a selected number of income and expenditure cost centres and accounts, and testing on a sample basis of individual transactions. A sample of high value amounts of expenditure was also selected, and agreed to prime records, and explanations sought if appropriate. In discussion with the Council's Finance Officer, we also reviewed and noted procedures for assessing significant financial risks and budgeting procedures.

We would like to thank the Council's staff for their assistance during the audit, and for the quality and completeness of accounting records which were presented.

Internal audit conclusions:

Appropriate accounting records have been kept throughout the year:

The Council maintains computerised accounting records using a Scribe accounts package, together with other reports prepared and maintained by the Finance Officer. Based upon our work, we are satisfied that appropriate accounting records, given the Council's size, have been properly kept throughout the year.

Financial regulations have been met:

The processes for requisitioning and approving expenditure were reviewed. A sample of purchase invoices showed that this system was being satisfactorily implemented. It was noted that this system was being reviewed on an ongoing basis by the Finance Officer. Expenditure is currently approved by Council committees before a Purchase Order is raised for the supplier. The supplier invoice is also approved by the relevant committee before payment is authorised. It was noted that committees are currently meeting on a more regular basis to cover the purchase authorisations needed.

Council assessment of significant risks:

The Council has an obligation at least once a year to assess significant risks to achieving its objective, and to review the adequacy of its own arrangements to manage these. We noted that this obligation had been fulfilled during the year, and was recorded in meeting minutes in March 2015.

Annual precept, budgetary process and reserves:

The annual budgetary process was reviewed with the Finance Officer. The budget and precept for 2015/16 had been agreed. The precept has been left unchanged for 2015/16 and was calculated on the basis of covering all revenue expenditure expected during the year. The reports prepared by the Finance Officer report on actual income and expenditure figures, and compare against budget figures on a regular basis. The level of reserves was noted and reviewed. The Council does have core reserves, together with funds set aside to cover certain capital projects and earmarked funds. The level of reserves was considered appropriate for the size of the Council.

Income:

It was noted that all expected income had been received, was properly recorded in the accounting records, was promptly banked, and appropriately accounted for.

Petty cash:

Petty cash records were reviewed. All expenditure was properly supported by receipts, approved and appropriately accounted for.

Salaries:

The Council uses the service provided by Northumberland County Council to administer its payroll and fulfil all PAYE and NI obligations. Payroll is calculated on a monthly basis by NCC and then invoiced in full to Berwick Town Council. All payroll invoices were paid in full during the year. Some HMRC correspondence about underpaid tax was noted on file but it was confirmed that this had been passed to, and dealt with by the County Council.

Asset Registers:

A list of Council assets was kept up to date by the Finance Officer. These were reviewed and were properly kept, with asset additions made during the year noted.

Bank Reconciliations:

These were reviewed and were found to be in order for all accounts. The Council maintains three bank accounts with Barclays, including an interest earning IAS account where the majority of funds are held. Cheques continued to require two signatories, and it was noted that the majority of payments continued to be via cheque, although some use is made of an online facility and a debit card.

Accounting statements and accounting basis:

Accounts are prepared on an income and expenditure basis as generated by the Council's accounting package. Manual adjustments are made by the Finance Officer to take account of obligations at the year-end because of grants which have been awarded by the Council but not yet drawn down, provisions for other amounts not yet paid, and VAT recoverable. A sample of transactions were reviewed during the year and were traced from the accounting records to the cash book, bank statements and underlying records. We believe that the accounting basis is appropriate for the Council, and on the basis of our audit work performed, we found that the accounting statements have been properly prepared from these records.

Trust funds:

We were informed that the Council does not hold trust funds for any other organisation.

Matters arising from the audit:

A small number of particular issues were noted during the course of our audit work, and were discussed with the Finance Officer, as follows:

It was noted that the last VAT return submitted was for the quarter ended 30 June 2014. At the year-end therefore, three VAT returns were outstanding (for the quarters ending September 2014, December 2014 and March 2015). Although these returns are still within the statutory time limits allowed for this type of return, it is recommended that VAT Returns are brought up to date. This will mean quicker recovery of VAT repayable to the Council, and more straightforward reconciliation of the recoverable amount at the end of the year. It is noted that the balance sheet at 31 March 2015 does show an amount for VAT receivable.

An adjustment was agreed with the Finance Officer to the figures presented to include a creditor in the amount of £4,660 for festive lights costs incurred in the 2014/15 year. The figures attached to this report include this adjustment.

I was made aware during the audit that a complaint had been made by a member of the public with respect to the Portas grant which was distributed by the Council during the year. I am informed that the complaint has been referred to Northumberland County Council who are the accountable body for the administration of the Portas money.

Inspection of the bank reconciliation at 31 March 2015 showed that some cheques signed and sent after 31 March 2015 were included in the payments recorded in 2014/15, and were shown as outstanding items on the bank reconciliation. This can cause inconsistencies between the date shown on the cheque, and the accounting date. This can arise as a result of the time delay between payments being authorised by committee, and cheques being physically signed by two signatories. The payments have been correctly shown in the accounting year, and no adjustment to the net asset position is necessary. However, it is recommended that the amount of time between the raising and signing of cheques be reduced as much as is practically possible (allowing for the approval process as noted in the Financial Regulations section above).

It was noted that during the year two receipts were received from Northumberland County Council (NCC) in error. Both of these amounts were repaid by the Council to NCC. The amounts were:

£90, received 19 June 2014, repaid 9 July 2014

£6,006, received 7 October 2014, repaid 7 October 2014

I have seen correspondence from NCC acknowledging that both of these amounts were sent to the Council in error. I have also verified from bank records that they have both been repaid. I have been made aware that a Freedom of Information request has been made to NCC to ask why these errors occurred.

Conclusion

In conclusion, we were able to carry out a satisfactory internal audit examination of the Council's financial records for the year ended 31 March 2015, and we are able to sign the Annual Internal Audit Report without the need for further comment. For completeness, the accounting statements

for the year referred to throughout this report, are attached and form an integral part of this document.

These statements have not yet been signed by the Responsible Financial Officer.

Signed:

On behalf of Seahouses Accountancy Services

A handwritten signature in cursive script that reads "Richard Alsept".

Richard Alsept ACA

25 June 2015

Section 1 – Accounting statements 2014/15 for

Enter name of reporting body here:

Council/Meeting

Readers should note that throughout this annual return references to a 'local council' or 'council' also relate to a parish meeting.

	Year ending		Notes and guidance
	31 March 2014 £	31 March 2015 £	
1 Balances brought forward	196,211	325,291	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2 (+) Annual precept	200,762	218,220	Total amount of precept received or receivable in the year. Excludes any grants received.
3 (+) Total other receipts	165,464	112,496	Total income or receipts as recorded in the cashbook less the precept received (line 2). Include any grants received here.
4 (-) Staff costs	75,937	79,959	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	-	-	Total expenditure or payments of capital and interest made during the year on the council's borrowings (if any).
6 (-) All other payments	161,208	209,897	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	325,291	366,151	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	334,550	382,453	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March - to agree with bank reconciliation.
9 Total fixed assets plus other long term investments and assets	758,280	754,042	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the council as at 31 March
10 Total borrowings	-	-	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11 Disclosure note Trust funds (including charitable)			The council acts as sole trustee for and is responsible for managing trust funds or assets. N.B. The figures in the accounting statements above do not include any trust transactions.

I certify that for the year ended 31 March 2015 the accounting statements in this annual return present fairly the financial position of the council and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

Date

I confirm that these accounting statements were approved by the council on this date:

and recorded as minute reference:

Signed by Chair of the meeting approving these accounting statements.

Date