

Mike Slaughter
5 Harthope
Ellington
Morpeth
Northumberland
NE61 5ET
5 May 2022

Mrs Tracey Bell
Town Clerk
Morpeth Town Council
Town Hall
Market Place
Morpeth
NE61 1LZ

Dear Tracey,

Internal Audit Report to the members of Morpeth Town Council.

I have now completed the full internal audit work of the Town Council's accounts, governance and financial procedures for the 2021/22 financial year.

The audit has been conducted in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant United Kingdom audit standards.

The audit included examination of evidence relevant to the amounts and disclosures in the summary accounts and notes, sufficient to give reasonable assurance that the accounts and notes are free from any material misstatement. All points raised during both the interim and year-end audit were answered to my full satisfaction.

Please find enclosed my assessment of the system of internal control and my audit checklist giving details of the work conducted. Based on the work undertaken, I am satisfied that the Town Council's robust systems of financial and administrative management operate effectively and efficiently and provide a sound audit trail.

In my opinion, the summary accounts present fairly the Income and Expenditure of Morpeth Town Council for the financial year ended 31 March 2022.

I certify that I have now finalised the year end work for 2021-22 and have, as required, completed the Annual Internal Audit Report required as part of the Annual Governance and Accountability Return (AGAR) for 2021/22.

It is recommended to the Town Council that, as best practice and for the avoidance of doubt or any confusion to local electors, you look to publish the Annual Internal Audit Report on the Town Council's website alongside Sections 1, 2 & 3 of the AGAR 2021/22 in accordance with the publication requirements.

I am pleased to also note that, as highlighted in the Internal Audit report for 2020/21, the Town Council are soon to undertake a full review of the Financial Regulations.

In concluding my work for 2021/22, my personal thanks to you, Joanne and your staff for your hospitality, courtesy and patience in answering my many questions regarding both the systems, plans and projects of the Town Council.

As requested, I have enclosed my invoice for the full 2021/22 internal work undertaken.

If there are any matters you wish to discuss or clarify, please do not hesitate to contact me.

Kind regards,

M. Slaughter

Mike Slaughter

MORPETH TOWN COUNCIL
FINANCIAL YEAR 2021/22
INTERNAL AUDIT CONTROLS AND TESTS

Internal controls	Audit Tests	Yes/No
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes
	• Is the cashbook arithmetically correct?	Yes
	• Is the cashbook regularly balanced?	Yes
Standing Orders and Financial Regulations	• Has the Council formally adopted Standing Orders?	Yes
Payment Controls	• Has the Council formally adopted Financial Regulations?	Yes
	• Has a Responsible Financial Officer been appointed with specified duties?	Yes
	• Have items or services above a de minimis amount been competitively purchased?	Yes
	• Are payments in the cash book supported by invoices, authorised and minuted?	Yes
	• Has VAT on payments been identified, recorded and reclaimed?	Yes
	• Is Section 137 expenditure (Free Resource) separately recorded and within statutory limits?	N/A
Risk Management arrangements	Does a scan of the minutes identify any unusual financial activity?	No
	Do the minutes record the Council carrying out an annual risk assessment?	Yes
	Is the insurance cover appropriate and adequate?	Yes

	Are internal financial controls documented and regularly reviewed?	Yes
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?	Yes
	Is actual expenditure against the budget regularly reported to the Council?	Yes
	Are there any significant unexplained variances from the budget?	No
Income Controls	Is the income properly recorded and promptly banked?	Yes
	Does the precept recorded in the cashbook agree to the County County's notification?	Yes
	Are security controls over cash adequate and effective?	Yes
Petty Cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Yes
	Is petty cash expenditure reported to Council meetings?	Yes
	Is petty cash reimbursement carried out regularly?	Yes
Payroll Controls	Do salaries paid agree with those approved by the Council?	Yes
	Are other payments to the Town Clerk (and other employees) reasonable and approved by the Council?	Yes
	Has PAYE/NIC been properly operated by the Council as an employer?	Yes
	NB: Northumberland County Council acts as payroll agent, providing third party security and additional internal control.	
Asset Controls	Does the Council keep an asset register of all material assets?	Yes

Bank Reconciliation	Is there a bank reconciliation for each account?	Yes
	Is bank reconciliation carried out regularly on receipt of statements?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
Year-end Procedures	Are year-end accounts prepared on the correct accounting basis (receipts and payments / income and expenditure)?	Yes
	Do accounts agree with the cash book?	Yes
	Is there a full audit trail underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	Yes

M. Slaughter

Mike Slaughter
Internal Auditor
Date: 5 May 2022

SYSTEM OF INTERNAL CONTROL

I have provided an internal audit service for Morpeth Town Council for the financial year ending 31 March 2022 and acting independently, I examined the system of internal control by undertaking the following full tests and reporting my findings to the Town Council.

TEST	UNDERTAKEN	
1	Checking that books of account have been properly kept throughout the year	Yes
2	Checking a representative sample of payments (30%) to ensure that the Council's financial regulations have been met, invoices support payments, expenditure is approved and that VAT is correctly accounted for	Yes
3	Reviewing the Council's risk assessment and ensuring that adequate arrangements and insurance cover are in place to manage all identified risks.	Yes
4	Verifying that the annual precept request is the result of a proper budgetary process; that the budget process has been regularly monitored and that the Council's reserves are adequate	Yes
5	Checking a sample of income records (40%) to ensure that correct prices have been charged, income received, recorded and promptly banked and VAT is properly accounted for.	Yes
6	Reviewing petty cash records to ensure receipts support payments, expenditure is approved and that VAT is correctly accounted for.	Yes
7	Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied.	Yes
8	Checking the accuracy of the assets and investment records	Yes
9	Testing the accuracy and timeliness of periodic and year-end bank account reconciliations.	Yes
10	Year-end testing on the completeness and accuracy of the financial statements	Yes

On the basis of my examination and with reference to the tests listed above, it is my view that the Council have a system of internal controls in place that are adequate and effective for the purpose intended. Where considered appropriate, I have made recommendations to the Town Council for both reference and action.

M. Slaughter

Mike Slaughter
Internal Auditor
Date: 5 May 2022