

Report to Lowestoft Town Council

The End-of-Year Internal Audit for the year ending 31 March 2021

1. Introduction and Summary.

1.1 The Internal Audit has focused upon the End-of-Year Accounts as at 31 March 2021 and builds upon the work previously undertaken on the key systems of internal control during the Interim Internal Audits completed in October 2020 and January 2021. The overall internal audit work undertaken and reported upon over the last year has enabled the completion of the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) for the year 2020/21.

1.2 The Internal Audit work undertaken overall confirmed that during the 2020/21 year the Council maintained effective governance arrangements including a robust framework of financial administration and internal control. Councillors and Officers continue to prioritise the need to maintain a high standard of financial management and control. Appropriate formal Policies, Procedures and Protocols have been adopted by the Council and these provide a solid foundation for the continuing operation of strong financial management and control.

1.3 Robust financial safeguarding measures have been adopted and are in place, including the appointment of Councillors as internal controllers and independent bank reconciliation signatories. The Council has a high standard of budgetary control processes in place and undertook effective strategic monitoring of the Budget during the 2020/21 year. Detailed scrutiny of financial, budgetary and governance matters was undertaken during the year by the Council's Finance and Governance Committee and the Budget and Loan Sub-Committee, both of which undertook detailed consideration of the Draft Budget for 2021/22 leading into the formal approval by Full Council of the Final Budget and Precept for 2021/22 on 26 January 2021. The Council demonstrates good financial practice in the operation of robust budgetary preparation and monitoring.

1.4 The Council is continuing to meet the significant challenges of the Covid-19 pandemic, both in its support to the local community and in maintaining effective governance arrangements. Appropriate Delegated Authority was given to the Clerk/Responsible Financial Officer (RFO) to deal with any urgent and necessary business. The Council, its Committees and Sub-Committees continued to meet during 2020/21 through 'virtual' video meetings.

1.5 In terms of overall governance, the Council considered Committee and Sub-Committee structures and Terms of Reference as part of the Council's development pathway. This was aimed to ensure that there is a robust and effective governance structure, that no unnecessary duplication exists and to identify where improvements in overall governance could be achieved. The changes approved by Full Council are due to take effect from May 2021.

1.6 By examination of the 2020/21 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Town Council's RFO, satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.7 The Accounts for the 2020/21 year confirm the following:

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| <i>Total Income for the year:</i> | <i>£2,075,334</i> |
| <i>Total Expenditure for the year:</i> | <i>£1,096,000</i> |
| <i>Total Reserves at the year-end:</i> | <i>£2,175,895</i> |

1.8 The Annual Governance and Accountability Return (AGAR) to the External Auditors, PKF Littlejohn LLP, was examined and the figures listed below were agreed with the Clerk/RFO for inclusion in Section 2 – The Statement of Accounts 2020/21:

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| <i>Balances at beginning of year (1 April 2020):</i> | <i>Box 1: £1,196,561</i> |
| <i>Annual Precept 2020/21:</i> | <i>Box 2: £1,837,731</i> |
| <i>Total Other Receipts:</i> | <i>Box 3: £237,603</i> |
| <i>Staff Costs:</i> | <i>Box 4: £205,457</i> |
| <i>Loan interest/capital repayments:</i> | <i>Box 5: £14,362</i> |
| <i>All Other payments:</i> | <i>Box 6: £876,181</i> |
| <i>Balances carried forward (31 March 2021):</i> | <i>Box 7: £2,175,895</i> |
| <i>Total cash/short-term investments:</i> | <i>Box 8: £2,165,041</i> |
| <i>Total fixed assets:</i> | <i>Box 9: £403,016</i> |
| <i>Total borrowings:</i> | <i>Box 10: £175,000</i> |

1.9 Sections One and Two of the AGAR are to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR.

1.10 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed Audit Plan. The Interim Internal Audit Reports completed during the year 2020/21 (dated 16 October 2020 and 29 January 2021) support and inform this End-of-Year Review. Comments and recommendations arising from the review are made below.

2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation).

2.1 In terms of overall governance, the Membership and Terms of Reference for each Committee were reviewed and agreed by the Council at its meeting on 12 May 2020, together with the appointment of Chairs to Committees. The delegations made to the Clerk/RFO in March 2020 relating to business of the Council during the Covid-19 pandemic were reviewed at the Council's meeting on 22 September 2020, when it was agreed to extend the delegations for a further six months to the end of March

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2021. At the meeting on 23 March 2021, the Council agreed that the Clerk/RFO's emergency delegated authority should remain in place until the Annual Meeting in May 2021 and then extended by a further 6 months (Minute 184.2 refers).

2.2 The Council continues to demonstrate good practice by maintaining at each meeting a standing agenda item of Governance. In this way the Council ensures that all relevant governance matters are brought to Councillors' attention.

2.3 During 2020/21 the Standing Orders and Policies Sub-Committee carried out a review of Committee Structure, Terms of Reference and Standing Orders, with all Councillors being invited to provide input into the process. The purpose of the review was to consider not only structures but also how the Committees, Sub-Committees and Working Groups interact with one another with the aim of reducing the length of meetings and agendas, whilst ensuring that all items receive the required consideration. Recommendations were to be put forward to the Finance and Governance Committee on all these aspects of governance.

2.4 At its meeting on 23 February 2021, the Full Council considered the recommendations put forward by the Finance and Governance Committee. These included the re-naming of some Committees, amendments to Terms of Reference, changes to the reporting arrangements of some Sub-Committees and meeting arrangements. The main changes approved by the Council are due to take effect from May 2021.

2.5 The Council's Standing Orders were considered by the Finance and Governance Committee on 8 April 2021. The Committee recommended that they are adopted by Full Council and noted that the Regulations will be subject to further review to catch any changes needed owing to the holding of hybrid (video and in person) meetings. The Standing Orders and Policies Sub-Committee are shortly due to examine the Standing Orders in this respect.

2.6 A review of the Council's Financial Regulations was undertaken by the Standing Orders and Policies Sub-Committee during 2020/21. The revised Regulations were approved by the Finance and Governance Committee at its meeting on 10 December 2020 and adopted by the Council at its meeting on 26 January 2021 (Minute 154.2h refers).

2.7 The Council maintains a high standard of governance through the adoption and review of a wide range of formal Policies, Procedures and Protocols. The Finance and Governance Committee agreed to amend the Terms of Reference for the Standing Orders and Policies Sub-Committee to provide that Council policies, Financial Regulations and Standing Orders would be considered over the course of the year. As part of this review process, during 2020/21 the Council reviewed and (following recommendations from the Finance and Governance Committee) adopted a wide range of important Policies, Strategies, Procedures and Protocols, all of which continue to support and strengthen the high standard of governance maintained by the Council and the Clerk/RFO.

2.8 Councillors and Officers continue to demonstrate commitment in addressing the challenges of the Covid-19 pandemic in their support to the local community. The

Council adopted a Covid-19 Grant Awarding Policy and, in support of the community, applications for grants were subsequently accepted under the scheme. Further, the Council maintained a rolling agenda item of 'Actions by the Council in response to the Covid-19 pandemic' which provides the opportunity for Councillors to put forward suggestions and to monitor progress as issues are taken forward.

2.9 Appropriate delegated authority was given to the Clerk/RFO to deal with urgent and necessary business during the pandemic and on 27 October 2020 the Council gave authority to the Clerk/RFO to consider and determine (with the Mayor and Chair of Finance and Governance Committee) any requests for emergency support. At the end of the 2020/21 year, the Council was continuing to assist in the effort to promote the local economy and be involved with partnership activities following the Government easing some restrictions imposed following the pandemic.

2.10 The Council is continuing to correctly apply the General Power of Competence (GPoC) having declared at its meeting on 14 May 2019 that it was an eligible Council to use GPoC, having two-thirds elected Councillors and a suitably qualified Clerk.

2.11 The development of the Neighbourhood Plan is a further significant aspect of the Council's overall governance arrangements and although scheduled progress has been impacted upon by the Covid-19 pandemic, an on-going delivery timetable has been published on the Council's website. The timetable details the completed and outstanding work together with the way in which residents may engage in the process.

2.12 During 2020/21 the Council has considered further important aspects of overall strategy, including the Community Engagement Policy. The Infrastructure Investment Plan for CIL and Section 106 funds was approved by Council as a working document and the AID Committee and the Finance and Governance Committee have been charged with its implementation.

2.13 The Council is correctly registered with the Information Commissioner's Office (ICO) as a public authority under Data Protection legislation (Registration ZA250273 refers, expiring 23 May 2021). The Deputy Clerk continues to take the lead in data protection and freedom of information issues for the Council.

2.14 The Council maintains a number of formal Data Protection Policies and Procedures and a Privacy Notice to demonstrate compliance with the General Data Protection Regulations (GDPR). The Data Protection Policy and the Data Retention Policy were reviewed by the Finance and Governance Committee on 12 November 2020 and adopted by Full Council on 24 November 2020. Although the EU GDPR no longer applies directly in the UK, its requirements must now be complied with under a regime known as "the UK GDPR" which follows the Data Protection Act 2018 and other Regulations.

2.15 The Council's Minutes and those of the Council's Committees continue to be extremely well presented and provide clear evidence of the decisions taken in the year. As the members of the Council, Committees and Sub-Committees are not meeting in person owing to the current restrictions, the Minutes are being held for

signature at the next suitable meeting. The situation regarding the signing of Minutes continues to be kept under review by the Clerk/RFO.

2.16 The Suffolk Local Code of Conduct adopted by the Council at its inaugural meeting on 16 May 2017 was reviewed and accepted by the Council at its meeting on 24 November 2020. During 2020/21 the LGA and NALC consulted local councils on a new model Code of Conduct for Councillors. The Council considered and expressed support for the new model Code at its meeting on 28 July 2020.

2.17 With regard to the new website accessibility regulations which came into effect from 23 September 2020, following a recommendation put forward in the previous Internal Audit Report, the Council has published a Website Accessibility Statement which details what the Council has done to ensure that as many people as possible are able to use the website. The Statement advises that there are areas of the website that may not be fully accessible and would be a disproportionate burden to secure full accessibility. The Statement includes contact details for the reporting of accessibility problems.

3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts and VAT accounting*).

3.1 The RBS system satisfactorily maintains the Council's Income and Expenditure accounting system. The accounting information was found to be in good order, well referenced and providing an audit trail to the supporting documentation. The accounting data recorded provides good evidence in support of the income and expenditure in the year and has acted as the basis for the completion of the 2020/21 AGAR. Comprehensive financial reports are being produced from the RBS system, both for internal use by staff and for formal presentation to Councillors.

3.2 This End-of-Year Internal Audit focused upon the RBS accounting system data as at 31 March 2021 in order to confirm complete and accurate data and an accurate Bank Reconciliation at that date. The Administration and Finance Assistant has received essential training on the RBS system and is able to access and operate all elements of the system, make necessary up-dates, generate reports and achieve regular reconciliations between the Accounts and the bank statements. The Assistant received appropriate support from RBS's staff leading into the closure of the 2020/21 Accounts.

3.3 The Clerk/RFO and the Administration and Finance Assistant continue to be the designated system administrators, the Clerk/RFO having Principal-User Access to all functions and the Assistant having Administrative Access. During the First Interim Internal Audit in 2020/21 the Administration and Finance Assistant demonstrated to the Internal Auditor the clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place.

3.4 VAT payments are tracked and identified within the Cashbook and are being used effectively for reclaims to HMRC. The Council is Registered for VAT purposes.

Re-claims for VAT paid are being promptly submitted to HMRC and reimbursement has been received, as follows:

- a) The 2020/21 Quarter 1 re-claim for the £49,832.09 net VAT paid from 1 April 2020 to 30 June 2020 is recorded as received at bank on 14 August 2020 and was reported to Council at its meeting on 25 August 2020.
- b) The 2020/21 Quarter 2 re-claim for the £30,040.92 net VAT paid from 1 July 2020 to 30 September 2020 is recorded as received at bank on 12 November 2020 and was reported to Council at its meeting on 15 December 2020.
- c) The 2020/21 Quarter 3 re-claim for the £37,602.12 net VAT paid from 1 October 2020 to 31 December 2020 is recorded as received at bank on 23 February 2021 and was reported to Council at its meeting on the same date.
- d) The 2020/21 Quarter 4 re-claim for the £29,298.14 net VAT paid from 1 January 2021 to 31 March 2021 was submitted to HMRC on 14 April 2021.

3.5 The Council continues to use Unity Trust Bank for its banking requirements and internet banking arrangements, with appropriate controls in place.

3.6 The Payments system was tested during the First Interim Internal Audit in October 2020 by means of examination of a wide-ranging sample of transactions covering the period January 2020 to September 2020. These were found to be in order, with supporting invoices and vouchers in place and all suitably recorded and authorised.

3.7 Similarly, a sample of transactions in the period October 2020 through to March 2021 was examined during this End-of-Year Audit and was found to be in order, with supporting invoices and vouchers in place and all suitably recorded and authorised.

3.8 The Cashbook Payments List and the Receipts List for the 2020/21 year were well referenced and are linked to a paper system which overall provides the audit trail to the bank statements. The accounting information provides good evidence in support of the income and expenditure in the year.

3.9 The Clerk/RFO confirmed to the Internal Auditor that the Councillor Signatories had signed, and confirmed as correct, the payments made during the period October 2020 to March 2021, having held sittings during April 2021 to complete these duties.

4. Year End procedures (Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate).

4.1 End-of-Year accounts are prepared on an Income and Expenditure basis and were in good order. Sample audit trails were undertaken and were found to be in order.

4.2 The Income and Expenditure Account and Balance Sheet were examined in detail and discussed with the Clerk/RFO and the Administration and Finance Assistant.

4.3 One minor accounting issue was brought to the attention of the Clerk/RFO. A refund of £631.27 from NPower had been included in the accounts under Income. Accounting practice provides that refunds of expenditure should be deducted from Payments to avoid artificially inflating the income of the authority. The Clerk/RFO and the Administration and Finance Assistant subsequently liaised with RBS and the refund has been moved into an appropriate expenditure code.

4.4 The Internal Auditor also examined and discussed with the Clerk/RFO the Listed Debtors and Listed Creditors in the Balance Sheet as at 31 March 2021, as follows:

- a) The Listed Debtors (Sales Ledger Control Account) figure of £104,693 includes a Debtors Account of £97,614.61 relating to Tingdene North Denes Ltd. (camping/caravanning) and a range of smaller accounts on which recovery had been deferred due to the impact of the pandemic. It was noted that a debt of £3,100 was owing from one tenant dating back to the 2019/20 year of account and the Clerk/RFO confirmed that arrangements are in place with this debtor to settle the amount due.
- b) The Listed Creditors in the Balance Sheet totalled £109,454.86 and included two disputed invoices received from East Point Business Services (totalling £67,831.26) and invoices received from Norse (£19,245.52), East Suffolk Council (£1,185) and further, more recent, invoices from East Point Business Services (£21,193.08).

4.5 The Administration and Finance Assistant confirmed that a Statement of Variances (explaining significant differences in income and expenditure between the years 2019/20 and 2020/21) has yet to be constructed. The Statement will be presented to the External Auditors in support of Section 2 (the Statement of Accounts) in the 2020/21 AGAR and will be published on the Council's website.

5. Bank Reconciliation (*Regularly completed and Cashbook reconciles with bank statements*).

5.1 The Council's Accounts have been reconciled to the Council's Unity Bank Statements as at 31 March 2021. The Internal Auditor examined the Reconciliation and confirmed the balance with the Bank Accounts (Current Account confirmed through paper copy and Savings Account examined through Administration and Finance Assistant's on-line access).

5.2 The Council's Financial Regulations require a Councillor (who is not a Chair or a bank signatory) to take responsibility for checking quarterly Bank Reconciliations. At its meeting on 26 May 2020, the Council appointed two Councillors as Bank Reconciliation Signatories. Confirmation is made in the Council's Minutes that the Bank Reconciliation Signatories have reviewed and signed-off the Reconciliations.

5.3 In addition to the duties of the Councillor Bank Reconciliation Signatories, the Council has previously agreed that Bank Statements and Bank Reconciliations are to be examined and confirmed by the Finance and Governance Committee as part of the Council's overall framework of financial control. The Committee and Full Council

receive reports from the Councillor Bank Reconciliation Signatory and reviews the reports prepared regarding the Reconciliations examined and verified. The Council demonstrates good financial practice by overseeing this important area of financial control. The Bank Reconciliation as at the 31 March 2021 is to be referred to the Councillor Bank Reconciliation Signatory in preparation for presentation to the Finance and Governance Committee and Full Council.

6. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).

6.1 The Council had robust budgetary control processes in place during 2020/21. Following initial development of the 2020/21 Budget and recommendations put forward by the (then) Budget and Loan Working Group, the Finance and Governance Committee undertook detailed consideration of the Draft Budget for 2020/21 at its meeting on 9 January 2020.

6.2 The Budget and the Precept for 2020/21 were agreed by the Full Council at its meeting on 21 January 2020 following consideration of the Working Budget Paper and other detailed documentation presented by the Clerk/RFO and her staff (Minute 161.1 refers). Robust budgetary preparation and monitoring practices were in place.

6.3 The Council noted at its meeting on 23 June 2020 that the Budget and Loan Sub-Committee was due to review the 2020/21 budget in detail as part of meeting its Terms of Reference. The Sub-Committee accordingly undertook comprehensive budgetary control reviews of 2020/21 Expenditure compared to the Budget.

6.4 The Finance and Governance Committee continued to receive appropriate Budget Monitoring Reports (details of actuals to budget projections) during the 2020/21 year, including supporting and noting the work of the Budget and Loan Sub-Committee.

6.5 The Full Council continued to undertake strategic monitoring of the 2020/21 Budget through a standing agenda item at each meeting, details being circulated to Councillors and delivered to Full Council meetings for consideration.

6.6 The Budget and Loan Sub-Committee and the Finance and Governance Committee undertook detailed and in-depth consideration of the Draft Budget for 2021/22. Full Council considered the recommended Budget and Precept for 2021/22 at its meeting on 26 January 2021 and approved the Budget and a Precept of £1,765,245, which the Council noted represented a 1.54% reduction on the Band D Council Tax equivalent for 2021/22 year. The Council's decision and the amount of the Precept was clearly Minuted (Minute 154.2n refers). The Council noted that it will also receive from East Suffolk Council a Local Council Tax Support Grant of £52,405, payable in April 2021, which reflects the council tax relief caseload within Lowestoft.

6.7 The formal, detailed examination by the Budget and Loan Sub-Committee and the Finance and Governance Committee and the strategic overview by the Full Council ensured continuing robust budgetary preparation and monitoring practices operating within the Council.

6.8 The Clerk/RFO and Deputy Clerk continue to ensure that the Council and its Committees and Sub-Committees are made fully aware of their specific responsibilities and commitments and the need for forward planning and adequate reserves.

6.9 A formal Reserves Policy is in place. The level of overall Reserves is reviewed as part of the annual budgeting process and on an on-going basis throughout the year by the Clerk/RFO, the Finance and Governance Committee and Full Council.

6.10 The Reserves Policy was reviewed by the Finance and Governance Committee on 9 July 2020. The Committee agreed to recommend to Council to adopt the current reserves position, including the application of the Reserves Policy and the allocations in General and Earmarked Reserves. The Full Council approved the Committee's recommendation at its meeting on 28 July 2020. The Clerk/RFO's Action Plan presented to Council 24 November 2020 proposed that the Finance and Governance Committee should continue to review General Reserves with a view of maintaining a level of no less than 6 months' equivalent precept amount.

6.11 The position was considered by the Budget and Loan Sub-Committee on 1 February 2021 in the context of a possible 5-year Budget Plan. The Sub-Committee noted that the Council is aspiring to maintain General Reserves equivalent to 6 months' precept. As no timescale had been agreed to achieve this it was felt that progression could possibly be made towards this as part of a 5-year Budget Plan, with any funds spent from Reserves being replenished.

6.12 At its meeting on 23 February 2021 the Full Council agreed (Minute 169.3d refers) to build a structured plan into the Council's 5-year Plan, starting in the current year, to attain the reserves positions as stated in Points 5.10 and 5.11 in the Second Interim Internal Audit Report dated 29 January 2021.

6.13 As at 31 March 2021 the Council's Overall Reserves (recorded in the Accounts as General Reserves of £517,648 and Earmarked Reserves of £1,658,247) amounted to £2,175,895, which (taken overall) is sufficient to meet, within reason, any unforeseen items of expense that may occur.

6.14 The General Reserves balance of £517,648 is in line with the position put forward by the Joint Panel on Accountability and Governance (JPAG) Proper Practices Guide (Item 5.32 refers) that non-earmarked revenue reserves should usually be between three and twelve months of Net Revenue Expenditure (in effect, of the Precept less any loan repayments).

7. Internal Financial Controls, Payments Controls and Audit Procedures (Confirmation that the Council has satisfactory internal financial controls in place).

7.1 Detailed financial information has continued to be provided by the Clerk/RFO to the Council and its Committees and Sub-Committees during the 2020/21 year in all aspects of the Council's operations. This has assisted in the maintenance of a robust and effective financial control framework.

7.2 The Council has appointed Signatories that are required on all financial transactions and has approved the sections of Financial Regulations to reflect the arrangements in place. Amendments to the list of approved signatories are formally considered and approved by the Council.

7.3 The Finance and Governance Committee receives schedules of payments to be made and the list of payments is included in the Minutes of the Committee. The Committee also receives and scrutinises details of income received. The Full Council considers and approves Payments, a detailed list of which is included within the Council's Minutes.

7.4 During the First Interim Internal Audit 2020/21, the Internal Auditor completed detailed testing of the Payments system for the period January 2020 to September 2020. The testing of the sample of transactions proved satisfactory and confirmed that adequate and effective internal financial controls were in place with supporting invoices and vouchers all suitably recorded and authorised. This End-of-Year Internal Audit for 2020/21 examined a sample of transactions, with supporting invoices and vouchers, for the period October 2020 to March 2021 and found all to be in order.

7.5 The First Interim Internal Audit Report (dated 16 October 2020) was considered and agreed by the Finance and Governance Committee on 12 November 2020 and by Full Council at its meeting on 24 November 2020, alongside the Action Plan delivered by the Clerk/RFO.

7.6 Similarly, the Second Interim Internal Audit Report (dated 29 January 2021) was considered and agreed by the Finance and Governance Committee on 11 February 2021 alongside the Action Plan delivered by the Clerk/RFO. The Audit Report and Action Plan were considered and adopted by Full Council at its meeting on 23 February 2021. The Report had put forward two recommendations:

R1: The Council should consider constructing and publishing a Website Accessibility Statement. (This has since been put into place).

R2: A Sundry Debtors supplementary system should be incorporated within the RBS Accounting System as soon as possible. (This has since been put into place).

8. Payroll Controls (PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment).

8.1 The Council's Payroll was examined in detail and tested during the First Interim Internal Audit undertaken in October 2020, when detailed checks were made on a sample of the salary payments during the period 1 April 2020 through to 30 September 2020 (and which reflected the new pay scales for 2020/21 applied from 1 April 2020). All was found to be in order.

8.2 The operation of the payroll between October 2020 and March 2021 was examined and tested during this End of Year Internal Audit and included detailed checks on a sample of salary payments made since October 2020. All was found to be in order.

8.3 The Council and the Finance and Governance Committee receive details of salary costs per month. Salary payment totals are recorded in the Minutes of the Council and the Committee.

8.4 The Salary payments to staff during 2020/21 were examined and signed as correct by the Councillor Signatories as follows:

- a) for the period April to September 2020 (signed on 29 September 2020)
- b) for the month of October 2020 (signed on 2 November 2020)
- c) for the period November 2020 to March 2021 (signed on 15 April 2021).

8.5 At its meeting on 15 December 2020 the Council considered and approved amendments to staff terms and conditions. Most of the salary changes agreed were to apply from 1 April 2021. During the period October 2020 to March 2021 the changes to salary arrangements related to the addition of one Scale Point to the salary of the Deputy Clerk, with effect from 1 January 2021 The Events and Communications Officer took up her duties with effect from 2 November 2020.

8.6 The Personnel Committee reviewed the framework for staff appraisals at its meeting on 18 February 2020 and put forward an Appraisals Guidance which was subsequently adopted by the Council on 26 May 2020. The Guidance was reviewed and re-adopted by the Council on 24 November 2020. Staff Appraisals were completed using the Zoom platform. Whilst working from home, staff remain in close contact, with regular staff meetings and individual meetings to discuss work streams.

8.7 With regard to meeting the legislation relating to workplace pensions, the Council noted at its meeting on 27 October 2020 that the required re-declaration of compliance had been made on 29 September 2020 to the Pensions Regulator in accordance with the requirements of the Pensions Act 2008. (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

8.8 During the year 2020/21 the Council's Payroll Services were operated under contract by Guy McGregor and Associates Ltd., an affiliate practice working under the 'umbrella' of the company trading as Sword and Trowel Bookkeeping Limited of Crowland, Peterborough (with a local office in Eye, Suffolk).

9. Petty Cash (*Associated books and established system in place*).

9.1 The Internal Auditor is charged to examine the Petty Cash accounting controls as part of the Annual Governance and Accountability Return (AGAR) certification work.

9.2 The Clerk/RFO (or the Deputy Clerk where the Clerk/RFO is absent) continues to manage and administer the Petty Cash arrangements with a normal rolling balance not exceeding £250 and a total annual expenditure not exceeding £500.

9.3 A detailed Petty Cash Policy and Procedure was considered by the Finance and Governance Committee on 11 March 2021 and was recommended to Council for adoption. The Policy and Procedure was considered and approved by Full Council on 23 March 2021.

9.4 Petty Cash transactions are recorded within the RBS accounting system and reported to Finance and Governance Committee meetings and Full Council. The most recent entry in the Petty Cash Book was on 12 March 2020. No Petty Cash was used in the 2020/21 year of account. During this End-of-Year Audit, the Petty Cash balance recorded in the Accounts as at 31 March 2021 was confirmed to the entries in the Petty Cash Book.

9.5 The use of Debit/Credit cards is the Council's preferred method of payment over the handling of cash. The arrangements regarding the administration and use of Debit/Credit Cards are included in the Financial Regulations adopted by Full Council at its meeting on 26 January 2021.

10. Income controls (*Regarding Precept and other income, including fees and charges and credit control mechanisms*).

10.1 The Receipts system is operated within the RBS Accounting System. During the First Interim Internal Audit in October 2020, the Internal Auditor completed detailed testing of the Receipts system for the period January 2020 to September 2020. The testing of the samples of transactions proved satisfactory and confirmed that adequate records are being maintained in the RBS accounting system and satisfactory documentary evidence is being retained to support the income received. There is a clear audit trail from the income recorded in the RBS accounting system to bank account statements.

10.2 During this End of Year Internal Audit, a sample of receipts with the supporting documentation was examined for the period October 2020 to March 2021 and all was found to be in order.

10.3 The Second Interim Internal Audit Report 2020/21 (dated 29 January 2021) recommended that Sundry Debtors (as a specific add-on system) should be incorporated within the RBS Accounting System as soon as possible. The RBS System could then be used to its fullest extent to manage the follow-up action on all outstanding sums to assist reduce the level and age of outstanding debt to the Council.

10.4 The Finance and Governance Committee considered the Interim Internal Audit Report on 11 February 2021 and agreed delegating a maximum budget of £250 to the Clerk/RFO to purchase the additional Debtor Management software. The Clerk/RFO confirmed to Council on 23 February 2021 that the additional software had been secured (at no additional cost) to assist with the Council's Debtor Management processes (Minute 169.3d refers).

10.5 A significant issue for the Council regarding income relates to the setting of Leisure Fees, the policy for which was reviewed by the Council as part of the overall budget-setting process for 2020/21. The Council resolved that leisure fees be waived for clubs in 2020/21 and that the facilities will remain free of charge to members of the public to promote health and wellbeing in the Town. The Council further agreed that 2020/21 Fees and Charges would remain as at 2019/20 rates.

10.6 With regard to the 2021/22 year, following recommendations from the Budget and Loan Sub-Committee and the Finance and Governance Committee, the Council agreed to waive charges for the use of the Council's sports and leisure fees in 2021/22 for clubs and members of the public. For sports clubs benefitting from the fee waiver, the Council required the production of an annual report on how the funds had been reinvested (Minute 154.2j refers).

11. Internal Control, Risk Management, Risk Assessments and Insurance cover (Review by Council of the effectiveness of internal controls, including the management of risk and Minuted accordingly).

11.1 The Council continues to place emphasis upon ensuring that robust and effective Internal Control and Risk Management arrangements are in place. The risk management documentation is comprehensive and identifies the risks involved and the action being taken to manage and mitigate those risks. The Risk Assessment documents are formally considered by Full Council at least once each year and are considered routinely by the Finance and Governance Committee, which has a standing agenda item of 'Other Financial matters' at each meeting for the consideration of legal, compliance and risk management issues.

11.2 The Council demonstrates good risk management and financial control practice by nominating Councillors to act as Internal Controllers to confirm that an effective internal controls process is in place. The arrangements include a check list from which the designated Internal Controllers undertake a review of the system of internal controls, complete all necessary checks and sign a report in confirmation that the review has been undertaken.

11.3 A Councillor Internal Controller for the year 2020/21 was appointed by the Council at its meeting on 12 May 2020 and a substitute Councillor Internal Controller was appointed by the Council on 26 May 2020. The Internal Control Statement for the year ending 31 March 2021 was reviewed and the checklist completed by the Councillor Internal Controller on 20 April 2021. The report by the Councillor relating to the internal control examination will assist in informing the Council in its completion of the Annual Governance and Accountability Return (AGAR) for the year 2020/21.

11.4 The Council's Risk Assessment and Management Policy, the Financial Risk Assessment and the Internal Controls Statement/Checklist for Internal Controllers were considered by the Finance and Governance Committee at its meeting on 14 January 2021 and adopted by the Full Council at the meeting on 26 January 2021 (Minute 154.2g refers).

11.5 The Council accordingly complied with Section 4 of the Accounts and Audit Regulations 2015 which require a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

11.6 The Council entered into a Long-Term Agreement with Zurich Municipal Insurance in 2018 for a period of 3 years (until 1 April 2021). At its meeting on 12 May 2020, the Clerk/RFO presented to Council a detailed report on the insurance cover in place.

11.7 Being in the final year of the agreement, the Council delegated authority to the Clerk/RFO on 26 January 2021 to carry out a procurement exercise for its future insurance arrangements. This was completed in March 2021. At the meeting on 23 March 2021 the Council agreed to continue with the existing insurer, Zurich Municipal Insurance, for a 3-year term (Minute 183.2i refers).

11.8 The insurance premium of £20,770.19 for the year 2020/21 was paid to Zurich Municipal Insurance on 7 April 2020 and reported to Council at its meeting on 26 May 2020. The Council's Employer's Liability cover stands at £10m and the Public Liability cover stands at £15m. The Council's Fidelity Guarantee insurance cover stands at £5m (having been increased with effect from 2 November 2020).

11.9 Insurance is closely reviewed by the Council, which demonstrates good practice by requiring that the list of Assets is regularly compared to the insurance schedule in order to ensure that all assets receive appropriate cover and that such comparison should be undertaken at least on an annual basis. The Finance and Governance Committee considers insurance cover under its Risk Management and Compliance responsibilities. The Committee reviewed the Council's insurance arrangements in relation to the Asset Register at its meeting on 5 March 2020. Similarly, as part of the delegation to carry out a procurement exercise for insurance arrangements, the Clerk/RFO undertook a comprehensive review of the Asset Register and on 8 April 2021 updated the Committee on the progress achieved (Minute 161.1 refers).

11.10 The Council places a high priority upon the safety of its play equipment, which is evidenced through the extent and regularity of the current checking arrangements. The AID Committee is responsible for ensuring that independent play inspections are completed annually and are designed to highlight any issues that may need to be addressed to ensure on-going safety of users. Safety Inspections are managed on behalf of the Council by East Suffolk Norse (as part of the current contract) and RoSPA inspections are undertaken by the Play Inspection Company.

11.11 The Clerk/RFO provides reports to the AID Committee and Full Council regarding insurance and claims issues relating to open spaces. As part of the Council

meeting its responsibilities for play equipment under its ownership, the inspections undertaken under the contract arrangements continue to be carefully monitored with appropriate records being maintained to evidence the monitoring action taken. In addition, the Town Council's staff carry out weekly inspections at The Ness and, as required, at other Council assets/locations. Norse undertake monthly inspections of play equipment and related matters as may come to their attention.

12. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

12.1 The Council maintains a standing agenda item for Assets, Inclusion and Development at each meeting and receives reports on the ongoing work on asset records and the management and control of assets, including receiving the Minutes of the AID Committee meetings.

12.2 A detailed Register of Land and Assets is maintained and was reviewed by the AID Committee on 1 June 2020. Full Council considered and approved the Register, including buildings and office equipment, at its meeting on 23 June 2020. The Register was examined during the First Interim Internal Audit undertaken in October 2020.

12.3 For purposes of the AGAR Annual Return the Asset Register displays a nominal £1 value attached to transferred/donated assets, including civic and ceremonial items, the Lowestoft Collection and further civic artefacts transferred and included in the Register. New acquisitions are valued at purchase cost. The Council also maintains an insurance value for each relevant asset based on an understanding of value for that purpose.

12.4 As at 31 March 2021 the Asset Register displayed a total value of £403,016 (compared to £403,017 at the end of the previous year, 31 March 2020) and reflects the removal from the Register of a parcel of land transferred to East Suffolk Council in the year (recorded at a community value of £1).

13. Sole Trustee (*To confirm that the Town Council has met its responsibilities as a trustee*).

13.1 The Council acts as the Sole Trustee to the Arnold's Bequest. Reports are made to Meetings of the Arnold Bequest Charity Board and to the Council, as necessary, as part of fulfilling the responsibilities of the Sole Trusteeship.

13.2 The 2020 Annual Meeting of the Charity Board took place as a video meeting on 21 April 2020. The Charity Board continued to meet through video meetings on 28 July 2020, 27 October 2020 and 26 January 2021. The Trustees to the Charity Board receive updates on the current financial position, details of income and expenditure and bank balances.

13.3 The Accounts and the Return to the Charity Commission for the year ended 31 March 2020 were accepted by the Charity Board at the meeting on 26 January 2021 and agreed they should be submitted to the Charity Commission.

13.4 The Charity Commission's website confirms the Frank Thomas Arnold Bequest to be an area of land which was bequeathed to the people of Lowestoft for their use and enjoyment as a Park or Recreation Ground (Charity no. 304785) and as having an Annual Up-date for the year ending 31 March 2020 (received by the Commission on 27 January 2021).

13.5 Following the transfer of the Trust Funds from the (then Waveney) District Council to the Town Council, the Trust Funds have been held in the Council's main bank account. However, The Trust agreed on 27 October 2020 that, in accordance with JPAG best practice, it would be more transparent to separate the Charity Board funds from those of the Town Council and a separate bank account for the Arnold Bequest Charity would be opened. At its meeting on 26 January 2021 the Charity Board agreed to open an account with the Co-operative Bank to facilitate the holding of its own funds. The opening of the account is still in progress and as at 31 March 2021, the Council's Accounts record a sum of £25,405 held on behalf of the Charity.

13.6 The Charity Board is also continuing to take responsibility, within the framework of the climate emergency, to increase biodiversity at the Arnold's Bequest land, and reflects the Council's overall policy of making small areas of land as biodiverse as possible. (the Climate Emergency meeting held on 13 January 2020, Minute 67, refers).

13.7 The 2021 Annual Meeting of the Charity Board is due to take place on 27 April 2021.

14. External Audit (*Recommendations put forward/comments made following the annual review*).

14.1 The External Audit review of the Council for the year of account ending 31 March 2020 was undertaken by PKF Littlejohn LLP, following the Council's submission of the Annual Governance and Accountability Return for the 2019/20 year. The Report and Certificate by the External Auditors is dated 14 July 2020 and raised no issues of concern nor recommended any actions for the Council to take.

14.2 The Report and Certificate by the External Auditors for the 2019/20 year was received by the Full Council at its meeting on 28 July 2020.

14.3 The External Audit review of the Council for the year of account ending 31 March 2021 will again be undertaken by PKF Littlejohn LLP following the Council's submission of the AGAR for the 2020/21 year.

15. Publication Requirements.

15.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents):

Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Following the completion of the External Audit:

Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

15.2 The Internal Auditor was able to confirm that the documents relating to the year 2019/20 were readily accessible on the Council's website:

<https://lowestofttowncouncil.gov.uk/about-the-council/financial-information/>

16. Additional Comments.

16.1 I would like to record my appreciation to Ms Shona Bendix, the Clerk/RFO and to Mr James Cox, the Administration and Finance Assistant, for their support and assistance during the course of this End-of-Year Audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

22 April 2021