

Report to Lowestoft Town Council

The Second Interim Internal Audit (January 2022)

1. Introduction and Summary.

1.1 The Internal Audit reviews programmed for the year 2021/22 provide for two Interim Audits during the year which will lead into and support the End-of-Year Audit which will take place in April/May 2022. In this way the Town Council is supported throughout 2021/22 in terms of receiving assurance upon the adequacy and efficiency of key systems in place. This audit report relates to the second interim review undertaken in the 2021/22 year of account.

1.2 This review was undertaken remotely/electronically due to the national guidance at the time that work should be undertaken from home where possible in order to reduce the rate of pandemic infections. The essential information required for the completion of the Internal Audit was e-mailed by Ms Shona Bendix, the Clerk/Responsible Financial Officer (RFO) and her staff to the Internal Auditor. The Zoom platform was also used to provide contact with Ms Bendix and Mr James Cox, the Finance and Information Officer, during the audit. All relevant published data held on the Council's website was accessed by the Internal Auditor. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the Report in order that they can be addressed at a later date, either when circumstances permit or at the next scheduled internal audit.

1.3 The Internal Audit work undertaken confirmed that the Council is maintaining effective overall governance arrangements. The main changes to Committee and Sub-Committee structures and Terms of Reference which had been approved by the Council during the year 2020/21 took effect from May 2021. A robust framework of financial administration and internal control is in place. 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.

1.4 The recruitment of staff under the new Staffing Structure approved by the Council is taking place. An Office Assistant and a Community Warden have been appointed since the previous Interim Internal Audit in October 2021. The recruitment process for the appointment of a Committee Clerk, a Communications Officer and a Community Warden is currently continuing at the time of this Second Interim Audit.

1.5 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 is undertaking effective strategic monitoring of the 2021/22 Budget. Detailed scrutiny of financial, budgetary and governance matters is being undertaken by the Finance and Governance Committee and the Budget and Loan

Sub-Committee. Detailed consideration of the Draft Budget for 2022/23 has been undertaken by the Sub-Committee, whose Minutes and Reports are received by the Finance and Governance Committee which, in turn, provides oversight and input into the process to ensure an integrated approach. The work led into the consideration by Full Council of the Budget and Precept for 2022/23 on 21 December 2021.

1.6 The increase in the Precept for 2022/23 reflects the significant on-going projects for which budgetary provision and contingences have been made, including those relating to the Town Hall, Marina Theatre, the Norse Contract and Hamilton House. Provision has been made to meet public service obligations including refurbishment of public conveniences, parks and play areas.

1.7 The Council has demonstrated good financial practice in the operation of robust budgetary preparation, budgetary control and monitoring arrangements during the course of the financial year.

1.8 The Internal Audit examination confirmed that the Clerk, in the role as the Town Council's RFO, continues to satisfactorily undertake the administration of the Council's financial affairs and provides appropriate financial management information to Councillors to enable them to make well-informed decisions.

1.9 The following Internal Audit work was carried out on the adequacy of overall governance and the systems of internal control in accordance with the agreed Audit Plan. Comments 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 The Council's overall governance arrangements (including the appointment of Chairs and the Membership and Terms of Reference for each Committee) and other regulatory issues, were examined in detail during the First Interim Internal Audit undertaken in October 2021.

2.2 **Standing Orders** are in place. Following the review and recommendation by that the meeting on 28 September 2021. A copy of the Standing Orders has been published on the Council's website.

2.3 The National Association of Local Councils (NALC) has revised its Model Standing Orders with amendments at Section 18 (items e and f on the Council's Standing Orders) to reflect the changes in the thresholds for public service or supply and public works contracts. The Clerk/RFO confirmed that this amendment is included in the Council's forthcoming review of Standing Orders.

2.4 **Financial Regulations** are also in place. The NALC Model Financial Regulations have been tailored appropriately to meet the Council's requirements. A copy has been published on the Council's website. NALC has similarly revised its Model Financial Regulations (footnotes to item 11) to reflect the changes in the thresholds

for public service/supply and public works contracts. The Financial Regulations are shortly due to be considered by the Finance and Governance Committee for recommended adoption by Full Council on 22 February 2022.

2.5 At its meeting on 28 September 2021 the Council reviewed the Clerk/RFO's emergency delegated authority and resolved to extend the provisions for a further six months and review again at the end of that period. The Finance and Governance Committee agreed on 14 October 2021 that for items which were not currently covered by an existing delegation, a delegation of £2,500 per item would be set for emergency, health and safety and other time urgent expenditure to allow the Clerk/RFO to progress matters that are required between meetings.

2.6 The Council's Committees have formally reviewed and agreed the Membership and Terms of Reference for the Sub-Committees and Working Groups operating during the year 2021/22 with the decisions appropriately recorded in the Minutes of each Committee. At its meeting on 28 September 2021 the Council standardised the membership of its Committees and Sub-Committees to 'Quorum plus one'.

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**. At its meeting on 18 May 2021 the Council received a Paper listing the Council's policies and procedures, including Standing Orders, Financial Regulations and the Suffolk Local Code of Conduct for Councillors. The Council agreed to adopt all the Policies and Procedures in their current form with Standing Orders being subject to a full review in 2021/22.

2.8 The Finance and Governance Committee has continued to review Policies and Procedures and submit proposals to Full Council for adoption of the documents. At its meetings on 27 July 2021 and 23 November 2021 the Council considered and adopted a range of Policies and Protocols which had been reviewed and amended as necessary by the Committee.

2.9 New Policies are also being developed and adopted, alongside the review of existing Policies, to meet the continuing development of the Council.

2.10 Councillors and Officers continue to demonstrate commitment to addressing the challenges of the current pandemic in their support to the local community and in maintaining effective governance arrangements. The Terms of Reference of the Community Safety Committee includes pandemic related matters with appropriate reporting back to Full Council as necessary on Covid-19 recovery and safety measures taken to support the community.

2.11 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.

2.12 The Council is continuing to 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.

2.13 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 2022). The Council was advised of the annual renewal of the registration at its meeting on 27 April 2021. The Deputy Clerk continues to take the lead in keeping the Council and officers advised on any emerging data protection and freedom of information issues.

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 and adopted by the Council at its meeting on 28 September 2021.

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. When restrictions were in force in response to the Covid-19 pandemic (and members of the Council, Committees and Sub-Committees were not meeting in person) the Minutes were held back for signature at the next suitable meeting. The Clerk/RFO confirmed to the Internal Auditor that the signing of those Minutes has now taken place.

2.16 The **Code of Conduct for Councillors** is in place and a copy has been published on the Council's website. The Council demonstrates good governance by periodically reviewing the Code of Conduct, which details the requirements and responsibilities placed upon each individual Councillor. The Standing Orders and Policies Sub-Committee reviewed the Code at its meeting on 20 October 2021.

2.17 The Council continues to recognise the importance of the **training of Councillors and Staff** in maintaining a high standard of governance. The Council is supporting the professional training for staff including the Community Governance Qualification for the Deputy Clerk. The Council recognises the importance of training and development and the need for appropriate budget provision for Staff Training particularly at a time when a new Staffing Structure is being put into place. The Finance and Governance Committee agreed on 9 September 2021 that the Personnel Committee and Full Council will consider training needs and the Budget and Loan Sub-Committee will specify separate training budgets for Councillors and Officers.

2.18 The Council demonstrates good practice by publishing a **Website Accessibility Statement** in accordance with the website accessibility regulations. The Statement details what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible or where there would be a disproportionate burden to secure full accessibility with contact details to report 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 continues to satisfactorily maintain the Council's **Income and Expenditure accounting** arrangements. The accounting information was found to be in good order, well referenced and providing an audit trail to the supporting documentation. The accounting data provides good evidence in support of the income and expenditure in the 2021/22 year to date. Comprehensive financial reports are being produced from the RBS system, both for internal use by staff and for formal presentation to Councillors.

3.2 The RBS accounting system was confirmed as being up to date. Entries within the system included transactions up to and including 31 December 2021, with a Bank Reconciliation at that date. The Finance and Information Officer has received essential training on the RBS system and is able to competently 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.

3.3 The Clerk/RFO and the Finance and Information Officer continue to be the designated system administrators, the Clerk/RFO having Principal-User Access to all functions and the Assistant having Administrative Access. The First Interim Internal Audit review confirmed the clear audit trail from the underlying financial records to the Accounts, with appropriate 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 submitted promptly to HMRC and reimbursement has been received, as follows:

- a) The 2021/22 Quarter 1 re-claim for the £43,843.12 net VAT paid from 1 April 2021 to 30 June 2021 is recorded as received at bank on 13 August 2021 and was reported to Council at its meeting on 24 August 2021.
- b) The 2021/22 Quarter 2 re-claim for the £36,829.50 net VAT paid from 1 July 2021 to 30 September 2021 is recorded as received at bank on 12 November 2021 and was reported to Council at its meeting on 12 November 2021.
- c) The 2021/22 Quarter 3 re-claim for the period 1 October 2021 to 31 December 2021 is currently being prepared for submission to HMRC.

3.5 The Council continues to use **Unity Trust Bank** for its banking requirements and internet banking arrangements, with appropriate controls in place. Amendments to the list of approved signatories are formally considered and approved by the Council. At its meeting on 18 May 2021 the Council nominated and approved Councillor Bank Signatories.

3.6 The **Payments system** was tested during the First Interim Internal Audit in October 2021 by means of examination of a wide-ranging sample of transactions covering the period April 2021 to September 2021.

3.7 The Cashbook Payments List and the Receipts List for the 2021/22 year are 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.

3.8 The First Interim Internal Audit Review in October 2021 reported upon two duplicate payments, both of which were promptly recovered. Since that time a double payment of £50.76 was made to C & C Consulting in respect of travel reimbursement. An invoice was received and settled by the Council and the company also collected the amount by means of direct debit. The second payment was recovered from C & C Consulting on 3 November 2021.

3.9 The Clerk/RFO confirmed to the Internal Auditor that careful checks continue to be made prior to payment to ensure that duplicate payments of this kind are avoided. The audit verified that any inadvertent errors made by staff are promptly remedied.

3.10 The **Councillor Bank Signatories** signed, and confirmed as correct, the payment sheets identifying transactions during the period April 2021 to September 2021 at a sitting on 15 October 2021. Due to the restrictions put in place by the Government to reduce the rate of pandemic infections, the Councillor Bank Signatories had not since attended the office to complete the signing but the Clerk/RFO confirmed that this matter is due to be addressed in January/February 2022. The work undertaken by the Councillor Bank Signatories is an important element of the internal control arrangements operating over payments.

3.11 An examination of **debts listed as outstanding** within the RBS system revealed that the Debtors list totalled £7,171.00 as at 19 January 2022. The debts outstanding related to accounts issued since November 2021 other than the following:

- a) A Debt of £1,000 relating to an invoice issued on 7 October 2021
- b) A Debt of £456 relating to an invoice issued on 21 October 2021.

3.12 The Clerk/RFO confirmed that appropriate follow up action is being taken regarding the outstanding debts.

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

4.1 Bank Reconciliations are routinely presented to the Finance and Governance Committee and Full Council for examination as part of the Council's overall framework of financial control. The item is Minuted to evidence the approval by the meeting.

4.2 The Council's Accounts have been reconciled to the Council's Unity Bank Statements as at 31 December 2021. The Internal Auditor examined the Reconciliation and confirmed the balance with the copy of on-line Bank Account Statements.

4.3 The Council's Financial Regulations require a Councillor (who is not a Chair or a bank signatory) to take responsibility for verifying the Bank Reconciliations at least once in every Quarter. At its meeting on 18 May 2021, the Council appointed two Councillors as Bank Reconciliation Signatories (Minute 15.3b refers). Confirmation is made in the Council's Minutes that the Bank Reconciliation Signatories have reviewed and signed-off the Reconciliations.

4.4 The Finance and Governance Committee and Full Council receive reports from the Councillor Bank Reconciliation Signatory and reviews the reports prepared regarding the Bank Reconciliations examined and verified. The Council demonstrates good financial practice by overseeing this important area of financial control.

4.5 The Bank Reconciliation as at the 31 December 2021 has been submitted to the Councillor Bank Reconciliation Signatory prior to presentation to the Finance and Governance Committee and Full Council.

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

5.1 Formal and detailed examination by the Budget and Loan Sub-Committee and the Finance and Governance Committee and the strategic overview by the Full Council provide robust budgetary preparation and monitoring practices within the Council.

5.2 The Finance and Governance Committee and the Budget and Loan Sub-Committee have continued to receive appropriate Budget Monitoring Reports (details of actuals to budget projections).

5.3 The Full Council is undertaking strategic monitoring of the **2021/22 Budget** through a standing agenda item at each meeting. Details of the current year's Budget position are being presented to Full Council meetings for consideration. The detailed estimates for the 2021/22 year are being used effectively for financial control and budgetary control purposes.

5.4 The Budget and Loan Sub-Committee and the Finance and Governance Committee have undertaken detailed and in-depth consideration of the **Budget for 2022/23**. A revised outline draft format for the 2022/23 Budget was approved by the Council on 24 August 2021. The Council gave approval to the Budget and a Precept of £1,867,228 at the meeting on 21 December 2021 (Minute 134.7 refers). The Clerk/RFO advised the Internal Auditor that due to some necessary amendments, the Budget is due to be re-presented to Council at its meeting on 25 January 2022.

5.5 The Clerk/RFO confirmed to the Internal Auditor that the **Capital Programme**, which has been constructed alongside the 2022/23 budget plan, consists of projections for a period of 5 years and identifies the estimated amounts to be set aside to meet future capital projects that the Council may determine.

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

5.7 The Council acknowledges the importance of prudently investing any temporary surplus funds held by the Council by maintaining and regularly reviewing an Investment Policy and Strategy document. The Council's stated priorities under the Policy are to ensure the security of reserves (protecting the capital sum from loss) and ensure the liquidity of investments (keeping cash readily available for expenditure when needed).

5.8 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 Budget and Loan Sub-Committee, the Finance and Governance Committee, and Full Council.

5.9 The Reserves Policy was adopted by the Council on 24 August 2021 and provides that the Council is working towards achieving a level of General Reserves no less than the equivalent of 6 months' worth of Precept for that particular year. This aspiration is to be embedded within a 5-year Budget Plan.

5.10 As at 19 January 2022 the Council's **Overall Balances** are listed as £2,987,229, of which the General Reserves are listed at £540,591, Earmarked Reserves at £1,635,305 and Current Year Fund at £811,333. The Finance and Information Officer informed the Internal Auditor that the overall Reserves position is currently being examined by Councillors and officers prior to reports being presented to the Council.

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

6.1 Detailed financial information has been provided by the Clerk/RFO to the Council and its Committees and Sub-Committees during the 2021/22 year in all aspects of the Council's operations. This has assisted in the maintenance of a robust and effective financial control framework.

6.2 As reported at item 3.10 above, the Council has appointed Councillor Signatories to confirm the validity of 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.

6.3 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 similarly receives and notes the detailed lists of Income and Expenditure, which are included within the Council's Minutes.

6.4 The Payments system controls were tested during the First Interim Internal Audit by means of examination of a wide-ranging sample of transactions covering the period April 2021 to September 2021.

6.5 The First Interim Internal Audit Report (dated 21 October 2021) was received by the Finance and Governance Committee on 4 November 2021 and was accepted by Full Council at its meeting on 23 November 2021.

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

7.1 The Council's Payroll was examined in detail and tested during the First Interim Internal Audit undertaken in October 2021, when the Internal Auditor undertook detailed checks on a sample of the salary payments made during the period 1 April 2021 through to 30 September 2021 and all was found to be in order. As this Second Interim Internal Audit for 2021/22 was conducted remotely/electronically, the salary documentation was not examined for the three months of October 2021 to December 2021. A sample of the transactions in that period will be examined when circumstances permit or during the End of Year Internal Audit in April/May 2022.

7.2 The Council's **Payroll Services** are being operated under contract by Guy McGregor and Associates Ltd., operating as the affiliate practice of the company trading as Sword and Trowel Bookkeeping Limited of Crowland, Peterborough (with a local office in Eye, Suffolk). Due to the current heavy workload and demands upon staff at the current time, an examination by the Clerk/RFO of the costs and benefits of securing the necessary software to enable the payroll to be administered in-house has been delayed.

7.3 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. At its meeting on 15 December 2020 the Council considered and approved amendments to staff terms and conditions, with most salary changes being applied from 1 April 2021.

7.4 The First Interim Internal Audit Report in October 2021 noted that salary payments to staff since 1 April 2021 had yet to be signed as correct by the Councillor Signatories. This remains the case through to 31 December 2021. Due to the restrictions put in place by the Government to reduce the rate of pandemic infections, the Councillor Signatories have not attended the office to complete signings. The Clerk/RFO confirmed this matter is due to be addressed in January/February 2022.

7.5 At its meeting on 18 December 2018 the Council agreed that it would apply the NJC salary cost of living increase to all staff on an on-going basis, regardless of whether a contractual obligation exists, until further notice (Minute 470.1 refers). At the time of this Interim Internal Audit Review the NJC had yet to finalise a national pay award that would apply to local government officers from 1 April 2021.

7.6 The First Interim Internal Audit in October 2021 also reported upon the **new Staffing Structure** approved by the Council. The staff recruitment process to meet

the approved Staffing Structure was agreed by the Personnel Committee on 12 August 2021 and ratified by Full Council on 24 August 2021. The recruitment process resulted in the appointment of an Office Assistant (from 25 October 2021) and a Community Warden (from 8 November 2021). The amendments to the conditions of service that are to apply to existing employees under the new Staffing Structure took place from 1 November 2021.

7.7 The **recruitment process** is continuing at the time of this Second Interim Audit (for the appointment of a Committee Clerk, a Communications Officer and a Community Warden) in accordance with the timeline and process agreed by the Personnel Committee on 13 December 2021.

7.8 As this Second Interim Internal Audit was conducted remotely/electronically, the detailed payroll documentation for the three months of October 2021 to December 2021 was not examined. A sample of the transactions in that period will be examined when circumstances permit or during the End of Year Internal Audit in April/May 2022.

7.9 Comprehensive **documentation relating to Staffing** is in place and has been reviewed and approved by the Council. This includes the Training and Development Policy, which was approved by the Council on 27 July 2021. Similarly, the Disciplinary Procedure, Equality and Diversity Policy and Grievance Procedure were adopted by the Council on 23 November 2021 following review and recommendation by the Finance and Governance Committee.

7.10 A Redundancy Policy, Lone Worker Policy and Appraisal Guidance are also in place and have similarly been subject to earlier review and approval by Full Council and published on the Council's website.

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

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

8.2 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.

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

8.4 **Petty Cash** transactions are recorded within the RBS accounting system and reported to Finance and Governance Committee meetings and Full Council.

8.5 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 the Financial Regulations adopted by Full Council at its meeting on 26 January 2021.

8.6 The operation of the Petty Cash System and the use of Debit/Credit cards will be examined at the End-of-Year Internal Audit in order that appropriate certification can be given in the Annual Internal Audit Report within the 2021/22 AGAR.

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

9.1 The **Receipts system** is operated within the RBS Accounting System. During the First Interim Internal Audit, the Internal Auditor completed detailed testing of the Receipts system for the period April 2021 to September 2021. 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.

9.2 As this Second Interim Internal Audit for 2021/22 was conducted remotely/electronically, the supporting documentation was not examined for the three months of October 2021 to December 2021. A sample of the transactions in that period will be examined when circumstances permit or during the End of Year Internal Audit in April/May 2022.

9.3 A significant issue for the Council regarding income relates to the setting of **Leisure Fees**, the policy for which is reviewed by the Council as part of the overall budget-setting process each year. Following recommendations from the Budget and Loan Sub-Committee and the Finance and Governance Committee, the Council agreed on 26 January 2021 to waive charges for the use of the Council's sports and leisure facilities in 2021/22 for clubs and members of the public in order to promote health and wellbeing in the Town. For sports clubs benefitting from the fee waiver, the Council required the production of an annual report on how the funds had been reinvested.

9.4 This policy was reviewed by the Council at its meeting on 23 November 2021. The Council agreed to retain the current policy for at least another year and not charge sports clubs for the use of the Town Council's leisure facilities, subject to a satisfactory end of season report detailing how funds saved have been reinvested.

9.5 At its meeting on 18 May 2021 the Council confirmed that **Fees and Charges** to apply in 2021/22 would remain as at the 2020/21 rates, pending review, if necessary, later in the year by the Finance and Governance Committee.

9.6 The Clerk/RFO confirmed that the Councillor Bank Signatories signed, and confirmed as correct, the income transactions recorded during the period April 2021 to September 2021 at a sitting held on 15 October 2021. Due to the restrictions put in place by the Government to reduce the rate of pandemic infections, the Councillor Bank Signatories had not since attended the office to complete the signing but the

Clerk/RFO confirmed that this matter is due to be addressed in January/February 2022.

9.7 The Finance and Governance Committee and Full Council receives details of income received, listed month by month. The List of Receipts is included in the Minutes of the meetings.

9.8 The Clerk/RFO and her staff are aware of the importance of income being fully and promptly recorded in the RBS system and reported to Council, the need for adequate and effective security over any cheques received as well as all income being accounted for and banked promptly. Debtors are encouraged to pay by electronic means and there are relatively few instances of income being received through cash or by means of cheque.

10. 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).

10.1 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.

10.2 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. A Councillor Internal Controller for the year 2021/22 was appointed by the Council at the meeting on 18 May 2021 together with a substitute Councillor Internal Controller. 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. The reports can assist in informing the Council in its completion of the Annual Governance and Accountability Return (AGAR) for 2021/22.

10.3 Similarly, at its meeting on 18 May 2021 the Council noted that the Finance and Governance Committee had reviewed the internal control arrangements and the internal control checklist and approved the current arrangements (Minute 15.3d refers).

10.4 In order to comply with Section 4 of the Accounts and Audit Regulations 2015, the Full Council must undertake, before the end of March 2022, a formal review of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, and Minute the review accordingly. The Clerk/RFO has confirmed that this formal review will take place before the end of March 2022.

10.5 The Council's **Insurance arrangements** were examined by the Internal Auditor during the First Interim Internal Audit in October 2021 and found to be in order. At its meeting on 23 March 2021 the Council agreed to continue with the existing insurer, Zurich Municipal Insurance, for a 3-year term. At its meeting on 18 May 2021 the Council noted the position and approved the arrangements for insurance cover.

10.6 The insurance premium of £16,675.69 for the year 2021/22 was paid to Zurich Municipal Insurance on 8 April 2021 and reported to Council at its meeting on 27 April 2021. 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. and is in line with the recommended guidelines that cover should be at least the total of the End-of-Year Balances plus 50% of Precept/Grants received in the year.

10.7 Insurance is reviewed and closely monitored 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.

10.8 An important area of risk management within local councils concerns the adequate **maintenance of play equipment**. In this respect 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. The Committee receives and considers the inspection reports and arranges for necessary remedial action to be taken as required. 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.

10.9 The Council has provided delegated authority to the Clerk/RFO to progress the appointment of **Health and Safety** Consultants to provide professional support to the organisation. The Council currently receives support from the consultants for a specified number of days per year on site with the call upon a 24-hour Helpline if required. The Clerk/RFO confirmed to the Internal Auditor that appropriate budget provision for Health and Safety issues are being applied from 1 April 2022 and that all necessary Health and Safety Policies and Procedures are continuing to be reviewed, updated and upgraded as required.

10.10 In addition, as part of meeting the Council's **legionella management** programme, the Clerk/RFO confirmed to the Internal Auditor that the Council continues to receive support from NWG (Northumbrian Water Group), which is affiliated to Essex & Suffolk Water (ESW), to undertake risk assessments and wellbeing checks.

11. Significant matters arising from the operation of contracts/transfer of contracts to the Council (*operation of contracts; contract compliance and contract monitoring procedures*).

11.1 Previous Internal Audit Reviews have confirmed that the Council has satisfactory arrangements in place to ensure compliance issues are carefully considered and adequately addressed. The AID Committee receives all necessary reports on compliance issues, including compliance monitoring, maintenance and condition surveys. The Clerk/RFO continues to maintain spreadsheets devised for overseeing the monitoring and maintenance of sites.

11.2 The payments made in respect of the East Suffolk Norse Partnership are highly significant in relation to the Council's overall budget and effective monitoring of the Partnership Charges is an important element of the Council's overall financial control framework. The Finance and Governance Committee considered the East Suffolk Norse analysis of the monthly partnership Fee and charges for the year 2021/22 and monitors payments made throughout the year.

11.3 With regard to the overall contractual arrangements in place with Norse, the Norse Contract Working Group has continued the work regarding a draft contract which provides an appropriate legal framework to extract parties from the arrangement. The Finance and Governance Committee noted on 4 November 2021 that the Working Group had been meeting to draw up a Service Level Agreement and obtain indicative costs of the work to inform future budgets and that notice to terminate the existing contract will need to be given by June 2022.

11.4 The Clerk/RFO advised the Internal Auditor that the Council may look to appoint specialist procurement contractors to assist with the processes leading into June 2022.

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. The Clerk/RFO presented a copy of the Register (as at the year-end 31 March 2021) to the Council at its meeting on 18 May 2021 and the Register was approved.

12.3 For purposes of the Annual Governance and Accountability (End-of-Year) 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 the date of the audit report (20 January 2022) the Asset Register displayed a total value of £423,011. The Finance and Information Officer confirmed that the 2021/22 acquisitions are being added to the Register.

12.5 The Asset Register will be reviewed in detail by the Internal Auditor at the End-of-Year Audit in April/May 2022 in order to ensure that assets are fully and correctly recorded in Section 2 of the Annual Governance and Accountability Return (AGAR) and that appropriate certification can be made in the Annual Internal Audit Report in the AGAR for the year 2021/22.

12.6 The First Interim Internal Audit Report highlighted the position regarding the assets held at the **Marina Theatre** and the possible need to include items purchased for the Theatre within the Council's own Asset Register. It had been noted that the Council purchased a Fire Panel on 24 August 2021 at an overall cost of £8,800 (a net cost £7,333.33 plus a VAT payment of £1,466.67 which will be recovered from HMRC) but the asset was not included in the Council's Asset Register. The Finance and Governance Committee noted on 30 November 2021 that work is underway to confirm which equipment within the Marina Theatre is owned by the Council. The Clerk/RFO advised the Internal Auditor that once this is complete, a list of the Council's confirmed assets within the Theatre can be added to the Asset Register as an Appendix.

12.7 The long-standing issue regarding **civic artefacts** transferred from East Suffolk Council and now belonging to the Town Council was discussed in open session by the Council at its meeting on 23 November 2021. The Town Council has a list of items which were due to have been transferred by East Suffolk Council. An assessment of the items has taken place and 53 individual items have not been located by East Suffolk Council. It is understood that the total value of the missing items is approximately £7,000. The Clerk/RFO confirmed that the Town Council may consider accepting a financial settlement in compensation (to be accepted into the civic and ceremonial budget or the budget for the Lowestoft Collection). The Council gave consideration to this matter at its meeting on 21 December 2021.

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 Charity**. 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 2021 Annual General Meeting of the Charity Board took place on 27 July 2021. The Trustees to the Charity Board continue to receive updates on the current financial position, details of income and expenditure and bank balances.

13.3 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).

13.4 The Accounts for the year ending 31 March 2021 were due to be formally approved by the Charity Board at its meeting on 26 October 2021 but the meeting was inquorate. The Charity Board is due to meet on 25 January 2022 to sign off the end of year accounts to enable the Annual Return to be submitted to the Charity Commission ahead of the 31 January 2022 deadline.

13.5 Since 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 Charity Board 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 should 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. An up-date on this matter is due to be given to the Board at its meeting on 25 January 2022.

13.6 As at 31 December 2021, the Council's Accounts record a sum of £26,156 being held on behalf of the Charity.

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

14.1 The External Audit review of the Council for the year ending 31 March 2021 was undertaken by PKF Littlejohn LLP, following the Council's submission of the Annual Governance and Accountability Return for the 2020/21 year. The Report and Certificate by the External Auditors is dated 21 September 2021 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 2020/21 year was presented to the Finance and Governance Committee on 14 October 2021 and was received and accepted by the Full Council at its meeting on 26 October 2021.

15. Publication Requirements.

15.1 The Internal Auditor confirmed in the First Interim Internal Audit Report dated 21 October 2021 that the publication requirements under the Accounts and Audit Regulations 2015 had been met for the year 2020/21.

15.2 The Council is meeting the publication requirements of the Local Government Transparency Code 2015, which provides that larger parish/town councils which have gross annual income or expenditure (whichever is the higher) exceeding £200,000 must publish (inter alia) details of each individual item of expenditure that exceeds £500.

16. Additional Comments.

16.1 I would like to record my appreciation to Ms Shona Bendix (Clerk/RFO) and Mr James Cox (Finance and Information Officer) for their support and assistance during the course of this Interim Internal Audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

21 January 2022