

Report to Lowestoft Town Council

The First Interim Internal Audit (October 2021)

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 first interim review undertaken in the 2021/22 year of account.

1.2 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.

1.3 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 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 is now being 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 will lead into the formal approval by Full Council of the Final Budget and Precept for 2022/23 in January 2022. In this way the Council is demonstrating good financial practice in the operation of robust budgetary preparation, budgetary control and monitoring arrangements.

1.4 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.

1.5 The Council is continuing to support the local community in meeting the significant challenges following the Covid-19 pandemic. In addition, the Council is taking forward a number of new initiatives, not least a sustainable plan for the future use of the Lowestoft Town Hall, including the development of a Business Plan and an

Activity Plan constructed with the engagement of the local community and organisations. These provide the Council with a sound basis for success in future bids.

1.6 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. Whilst no formal recommendations have been put forward at this Interim Audit stage, there are three specific areas which the Clerk/RFO and the Internal Auditor will be examining further to identify if the current financial control arrangements need to be revised or enhanced. These areas are detailed at the following paragraphs:

3.7 and 3.8 under 'Accounting Procedures'

7.3 and 7.4 under 'Payroll Controls'

11.6 under 'Assets Controls'.

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 Membership and Terms of Reference for each Committee were reviewed and agreed by the Council at its meeting on 18 May 2021, together with the appointment of Chairs to Committees. The Council noted that delegations to officers had been reviewed by the Finance and Governance Committee. The Council approved the officer and signatory delegations (Minutes 9.1c and 9.2 refer).

2.2 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 (Minute 87.2 refers).

2.3 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'.

2.4 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 noted that all policies and procedures had been reviewed during the 2020/21 year by the Standing Orders and Policies Sub-Committee and the Finance and Governance Committee and Full Council. On 18 May 2021 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 (Minute 8 refers).

2.5 Following the review and recommendation by the Finance and Governance Committee, the Council adopted updated Standing Orders at the meeting on 28 September 2021 (Minute 86.2a refers).

2.6 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 meeting on 27 July 2021 the Council considered and adopted a range of Policies and Protocols which had been reviewed and amended as necessary by the Committee (Minute 54.2 refers). This included an amended Infrastructure Investment Plan (for Community Infrastructure Levy (CIL) and Section 106 funds). As part of its governance responsibilities, the Council approved the amended Plan on 28 September 2021, having previously charged the Assets, Inclusion and Development (AID) Committee and the Finance and Governance Committee with taking forward the implementation of the Plan.

2.7 Similarly, the Council is moving forward with a Sustainability Strategy which will assess the Council's carbon footprint, set targets to reduce the footprint and to achieve other measures identified in the Strategy. An amended Sustainability Strategy was considered and adopted by the Council on 27 July 2021. The Council has tasked the Climate Emergency and Ecological Committee with the implementation of the Strategy, which includes the consideration of measures to improve health and wellbeing (under the Council's Health and Wellbeing Emergency Declaration) to complement the Climate Change Declaration. Specialist consultants have been appointed to assist with the carbon footprinting work.

2.8 New Policies are being adopted, alongside the review of existing Policies, to meet the continuing development of the Council. At its meeting on 24 August 2021 the Council adopted an Adverse Weather Policy and an IT Policy (Minute 69.2m refers). Similarly, an Anti-Harassment and Bullying Policy, a Cycling Pledge, Disciplinary Rules, Environmental Policy, Equality and Diversity Policy and Acquisitions and Disposal Policy were adopted by the Council on 28 September 2021 (Minute 86.2 refers).

2.9 Councillors and Officers continue to demonstrate commitment to addressing the challenges of the Covid-19 pandemic in their support to the local community and in maintaining effective governance arrangements. Appropriate delegated authority was given to the Clerk/RFO to deal with urgent and necessary business; the meetings of the Council, its Committees and Sub-Committees continued to be held by video conferencing through to May 2021, when meetings 'in person' were required to be resumed. The Council maintained (to 24 August 2021) a rolling agenda item of 'Actions by the Council in response to the Covid-19 pandemic' which provided the opportunity for Councillors to put forward suggestions and to monitor progress in taking pandemic issues forward. The Terms of Reference of the Community Safety Committee now includes Covid-19 related matters with appropriate reporting back to Full Council as necessary.

2.10 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.

2.11 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 (Minute 20 refers).

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

2.13 The Council has an overall Community Engagement Policy in place which sets out the Council's commitment to engagement with all sections of the community in a transparent and open way. The Council is looking to encourage parishioner involvement and the Engagement Policy outlines a strategy for creating a more actively engaged and informed community.

2.14 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 (Minute 208.6 refers) 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.

2.15 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.

2.16 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.

2.17 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 Councillor and Staff Training. 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 (Minute 60.8 refers).

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 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 30 September 2021, with a Bank Reconciliation at that date. The Administration and Finance Assistant 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 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. 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 submitted promptly to HMRC and reimbursement has been received, as follows:

- a) 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, received at bank on 20 April 2021 and was reported to Council on 27 April 2021.
- b) 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.
- c) The 2021/22 Quarter 2 re-claim for the period 1 July 2021 to 30 September 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 reviewed, amended and approved Councillor Bank Signatories (Minute 15.3a refers).

3.6 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.

3.7 The RBS Payments and Receipts system was tested by means of examination of a wide-ranging sample of transactions covering the period April 2021 to September 2021. The sample tested included the following:

- a) A Duplicate Payment to Access Community Trust, the initial grant payment of £1,482.33 for Sunrise Studios being submitted on 29 July 2021 and authorised on the same date. The second grant payment of £1,482.33 was submitted on 3 August 2021 and authorised on the same date. The duplicate payment was recovered by the Council on 7 September 2021.
- b) A payment of £45.18 was incorrectly made to Roche Chartered Surveyors instead of the correct payee of Ricoh UK Ltd. The incorrect payment has since been recovered.

3.8 These two items above were discussed with the Clerk/RFO in order to establish whether any additional control features should be brought into existing procedures. No formal recommendations are being put forward at this Interim Audit stage as further discussions will now take place between the Clerk/RFO and the Internal Auditor to identify and agree appropriate and proportionate enhancements to the existing control arrangements. The Clerk/RFO will report on these matters in due course to the Finance and Governance Committee.

3.9 The Clerk/RFO confirmed that 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.

3.10 An examination of debts listed as outstanding within the RBS system revealed that the Debtors list totalled £6,474.50 as at 18 October 2021. All was found to be in order. The debts outstanding related to accounts issued in October 2021 other than the following:

- a) A Debt of £2,000 relating to an invoice issued to East Suffolk Council on 27 August 2021
- b) A Debt of £56 relating to an invoice issued to a tenant on 31 August 2021.

The Administration and Finance Assistant confirmed that appropriate follow up action is being taken in respect of these two debtors.

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

4.1 The Council's Accounts have been reconciled to the Council's Unity Bank Statements as at 30 September 2021. The Internal Auditor examined the Reconciliation and confirmed the balance with the Bank Account Statements.

4.2 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 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.

4.3 In addition to the duties of the Councillor Bank Reconciliation Signatories, the Council has previously agreed (at its meeting on 22 August 2017, Minute 90.3) 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.

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 30 September 2021 has now to be referred to the Councillor Bank Reconciliation Signatory in preparation for 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 clearly demonstrate the robust budgetary preparation and monitoring practices operating within the Council.

5.2 The Finance and Governance Committee has continued to receive appropriate Budget Monitoring Reports (details of actuals to budget projections). The Committee noted at its meeting on 10 June 2021 that the Budget and Loan Sub-Committee was continuing to review the Reserves position in detail (Minute 23.1 refers). The Committee received further Budget Reports for 2021/22 at the meetings on 1 July 2021 (Minute 36.1), 12 August 2021 (Minute 48.1), 9 September 2021 (Minute 60.1) and 14 October 2021 (Draft Minute 72.1 refers).

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 are also undertaking detailed and in-depth consideration of the Draft Budget for 2022/23 and will consider all relevant budgetary issues leading into a proposed Precept for 2022/23 and a formal recommendation to Council in January 2022. A revised outline draft format for the 2022/23 Budget was approved by the Council on 24 August 2021.

5.5 The Clerk/RFO confirmed to the Internal Auditor that the Capital Programme, which is being constructed alongside the 2022/23 budget plan, will consist of

projections for a period of at least 5 years and will identify 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 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.

5.8 The Reserves Policy was reviewed by the Finance and Governance Committee on 12 August 2021. The Committee agreed to recommend to Council to adopt the draft document. The Full Council approved the Committee's recommendation at its meeting on 24 August 2021 (Minute 69.2a refers). The Policy 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.

5.9 As at 30 September 2021 the Council's Overall Reserves (recorded in the Accounts as General Reserves of £534,168 and Earmarked Reserves of £1,641,728) amounted to £2,175,896, which (taken overall) is sufficient to meet, within reason, any unforeseen items of expense that may occur.

5.10 The General Reserves balance of £534,168 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).

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 The Council has appointed 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 considers and approves Payments, a detailed list of which is included within the Council's Minutes.

6.4 As reported at item 3.7 above, this Interim Internal Audit Review included the detailed testing of the Payments system by means of examination of a sample of transactions for the period April 2021 to September 2021, the supporting invoices and vouchers and confirmation of the necessary authorisations.

6.5 The Council considered and approved the End-of-Year Annual Governance and Accountability Return Part 3 (AGAR) for the year 2020/21 (Sections 1 and 2) at its meeting on 18 May 2021 (Minute 15.2c refers). A copy of the Return has been published on the Council's website.

6.6 The Annual Internal Audit Report for the year 2020/21, completed within the AGAR, was presented to Council on 18 May 2021 and assisted in informing the Council in its consideration of Sections 1 and 2 of the AGAR. The Report has similarly been placed on the Council's website.

6.7 The detailed End-of-Year Internal Audit Report (separate from the AGAR Annual Internal Audit Report) was considered by the Council at its meeting on 27 April 2021. There were no matters of concern raised in the End-of-Year Report. The Council demonstrated good practice by examining an Action Plan presented by the Clerk/RFO which detailed specific actions to be undertaken, directly related to matters in the Audit Report:

- a) To support the Council's aspiration towards enhancing its forward budgetary planning and 6 months of General Reserves.
- b) To continue the review of insurance and asset arrangements, with recommendations to the Finance and Governance Committee and Full Council.
- c) To review the payroll arrangements, with recommendations to the Finance and Governance Committee and Full Council.
- d) To review VAT and other legal and/or financial developments affecting the Council, with recommendations to the Finance and Governance Committee and Full Council where required.

6.8 The Council formally received and accepted both the Audit Report and the Action Plan at the meeting on 27 April 2021 (Minute 208.7c refers).

6.9 The Internal Audit arrangements for the year 2021/22 were considered and agreed by the Council at its meeting on 23 February 2021 (Minute 169.4 refers).

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

7.1 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). The Clerk/RFO is continuing to examine whether to continue the out-sourcing of payroll functions or whether there are any benefits of securing the necessary software that would enable the payroll to be administered in-

house. Future reports are due to be made by the Clerk/RFO to the Finance and Governance Committee on the progress of the review.

7.2 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.

7.3 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. The Salary payments to staff during that period have yet to be signed as correct by the Councillor Signatories.

7.4 The Clerk/RFO and Internal Auditor discussed the authorising arrangements for salary payments. The Clerk/RFO is to shortly review with the Internal Auditor the current procedure to ensure that the most appropriate and proportionate arrangements are in place. The Clerk/RFO will report on these matters in due course to the Finance and Governance Committee.

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 agree a national pay award that would apply to local government officers from 1 April 2021.

7.6 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. The Redundancy Policy, Lone Worker Policy, Grievance Procedure, Equality and Diversity Policy, Disciplinary Rules, Disciplinary Procedure and Appraisal Guidance have similarly been subject to review and approval by Full Council and have been published on the Council's website.

7.7 During 2020/21 the Council considered and agreed a new Staffing Structure and (at its meeting on 15 December 2020) approved amendments to staff terms and conditions, including the salary changes to apply from 1 April 2021.

7.8 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. A number of interviews took place in October 2021 and the recruitment process is continuing at the time of this Interim Audit. The amendments to the conditions of service that are to apply to existing employees under the new Staffing Structure are due to take place from 1 November 2021.

7.9 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. 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 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. The most recent entry in the Petty Cash Book was on 12 March 2020. The Petty Cash balance recorded in the Accounts as at 30 September 2021 was confirmed to the entries in the Petty Cash Book.

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. The Income controls were tested during this Interim Internal Audit Review by means of examination of a sample of transactions that took place during 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 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 (Minute 154.2j refers).

9.3 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 (Minute 15.3d refers).

9.4 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.

9.5 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 (the income received during the period 24 April 2021 to the 30 April 2021, which included the Half-Year Precept (£882,622) and the Local Council Tax Support Grant (£52,405), were included in the reports to the Committee and the Council but not listed in the Minutes).

9.6 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. 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. A report relating to the internal control examination by the nominated Councillor was presented to Council at its meeting on 27 April 2021

(Minute 208.7b refers) and assisted in informing the Council in its completion of the Annual Governance and Accountability Return (AGAR) for the year 2020/21.

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) 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 (Minute 15.3c 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 and will include the consideration of any matters raised by the Internal Controllers during their reviews in the 2021/22 year of account.

10.5 Insurance cover is in place. The Council held a Long-Term Agreement with Zurich Municipal Insurance ending 1 April 2021. 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). At its meeting on 18 May 2021 the Council noted the position and approved the arrangements for insurance cover (Minute 11 refers).

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 (Minute 207.3d refers). 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. 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).

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

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 Help-Line if required. The Clerk/RFO confirmed that the budget provision for Health and Safety issues was being reviewed to ensure that appropriate sums are 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, the Clerk/RFO confirmed to the Internal Auditor that the Council has recently appointed NWG (Northumbrian Water Group), which is affiliated to Essex & Suffolk Water (ESW), to undertake risk assessments and wellbeing checks as part of meeting the Council's legionella management programme.

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

11.1 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.

11.2 A detailed Register of Land and Assets is maintained and was examined in detail by Internal Audit during the 2020/21 End-of-Year Internal Audit to ensure that assets were fully and correctly recorded in Section 2 of the Annual Governance and Accountability Return. 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. The Council reviewed and approved the Register of Land and Assets, including buildings and office equipment at the meeting (Minutes 11 and 13 refer).

11.3 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.

11.4 The Register will be reviewed in detail at the End-of-Year Audit in April/May 2022 in order that appropriate certification can be made in the Annual Internal Audit Report in the Annual Governance and Accountability Return (AGAR) for the year 2021/22.

11.5 As at the date of the audit (18 October 2021) the Asset Register displayed a total value of £412,643 (compared to £403,017 as at the end of the previous year, 31 March 2021). The Register has yet to include some assets (including 25 bins purchased for parks at a value of £10,369.58) which have recently been acquired.

11.6 The Internal Auditor discussed with the Clerk/RFO 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 was 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 Clerk/RFO advised that she will shortly be meeting the Marina Theatre's management team to discuss the assets held by the Theatre but under the ownership of the Council with the view of ensuring that all necessary items are included in the Council's Asset Register and that appropriate insurance cover is in place for the assets concerned. The Clerk/RFO intends to report to the Finance and Governance Committee on this matter in due course.

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

12.1 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.

12.2 The 2021 Annual General Meeting of the Charity Board took place on 27 July 2021. The Accounts and the Return to the Charity Commission for the year ended 31 March 2021 were accepted by the Board for submission to the Charity Commission. The Trustees to the Charity Board continue to receive updates on the current financial position, details of income and expenditure and bank balances.

12.3 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). The Annual Return and Accounts for the year ending 31 March 2021 have yet to be recorded as received by the Charity Commission.

12.4 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 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 Clerk/RFO confirmed that the opening of the account is still in progress.

12.5 As at 30 September 2021, the Council's Accounts record a sum of £25,614 being held on behalf of the Charity.

12.6 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 reflect the Council's overall policy of making small areas of land as biodiverse as possible. The Charity Board has a standing agenda item of 'Biodiversity and Site Management Actions' to facilitate discussion and decision making on these issues.

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

13.1 The External Audit review of the Council for the year of account 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.

13.2 The Clerk/RFO confirmed that the Report and Certificate by the External Auditors for the 2020/21 year has been presented to Finance and Governance Committee and is shortly due to be presented to Full Council.

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website:

- Notice of the period for the exercise of Public Rights
- AGAR - Sections 1 and 2
- Notice of Conclusion of Audit
- AGAR - Section 3 (the External Audit Report and Certificate, which confirmed that the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and that there were no matters of concern).

14.2 At its meeting on 18 May 2021 the Council noted that the AGAR would be published in accordance with the Accounts and Audit Regulations and the period for the exercise of public rights of inspection had been set for the 30 working days between 14 June 2021 and 23 July 2021. The Internal Auditor was able to confirm that the publication requirements have been met and that the documents in respect of the year 2020/21 were readily accessible on the Council's website:

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

15. Additional Comments.

15.1 I would like to record my appreciation to Ms Shona Bendix (Clerk/RFO), Mrs Sarah Foote (Deputy Clerk) and Mr James Cox (Administration and Finance Assistant) for their support and assistance during the course of this Interim Internal Audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

21 October 2021