



## MULBERRY & CO

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Our Ref: MARK/LOW002

Mrs S Bendix  
Lowestoft Town Council  
Hamilton House  
Battery Green Road  
Lowestoft  
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NR32 1DE

26 May 2023

Dear Shona

**Re: Lowestoft Town Council**  
**Internal Audit Year Ended 31 March 2023 – Year-End Audit report**

### **Executive summary**

Following completion of our year-end internal audit on 26 May 2023 we enclose our report for your kind attention and presentation to the council. This report should be considered alongside the interim audit report issued following our interim audit on 29 January 2023. The audits were conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Lowestoft Town Council are well established and followed.

### **Regulation**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

### **Independence and competence**

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

### **Engagement Letter**

An engagement letter was previously issued to the council covering the 2022/23 internal audit assignment. Copies of this document are available on request.

### **Planning and inherent risk assessment**

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, we have concluded that:

- There have been no reported instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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**Interim Audit - Points Carried Forward**

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments on actions taken since interim visit</b>
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b>	While the council can determine its own notice period (providing it is no less than the statutory requirement) it has retained these changes in bold type, indicating that they remain a statutory requirement which is incorrect. The council may wish to consider amending the Standing Orders to reflect the statutory three clear working days, while continuing with the convention of providing the agenda earlier whenever possible.	To review at next interim visit.

## B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

### **Internal audit requirement**

*This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.*

### **Audit findings**

*Confirm that the council is compliant with GDPR.*

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2023) contains updated guidance on the matter as below:

#### *The importance of secure email systems and GOV.UK*

5.205. *All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.*

5.206. *When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the official GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain.*

5.207. *Using a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security awareness, so a GOV.UK domain can also help to build trust, and credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.*

5.208. *For the purposes of user management, councils should ensure that the proper officer can add and remove member and staff email accounts. Commercial 'dashboard' email and web systems offer centralised searching of all data contained within the system for effective compliance with GDPR Subject Access Requests and Freedom of Information Requests.*

**I recommend the council follows the JPAG guidance on emails for councillors and that all councillors continue to use their official email accounts for all council business.**

*Check that the council's Finance Regulations are being routinely followed.*

Sample testing of invoices and payments was completed at the interim audit, and I am satisfied that the council continues to follow its adopted Financial Regulations.

*Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.*

The council has adopted the General Power of Competence (GPC) and the section 137 thresholds do not apply. The council has re-adopted the GPC at the Annual Meeting in May 2023.

*Confirm that checks of the accounts are made by a councillor.*

The system noted above, and the detailed checks completed at the interim visit, confirms that internal review takes place, and I am under no doubt that council properly approves expenditure.

## C. RISK MANAGEMENT AND INSURANCE

### **Internal audit requirement**

*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

### **Audit findings**

We discussed assertion 8 on the Annual Governance Statement and whether this had any impact on the council.

*“We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.”*

The Clerk confirmed that they were not aware of any event having a financial impact that was not included in the accounting statements.

## D. BUDGET, PRECEPT AND RESERVES

### **Internal audit requirement**

*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

### **Audit findings**

The accounting records show that the council ended the year with income reported as 113% of budget and expenditure reported as 134% of budget.

However, movements within the reserves during the year have more than covered the additional expenditure. The council and its committees regularly scrutinise the accounting reports, and I have no doubt the budget has been carefully monitored throughout the year.

At the end of the financial year, the council held £2,121,673 in earmarked reserves (EMR), spread across a range of clearly identifiable projects. I checked the purpose of these EMRs and am satisfied they are all for legitimate future planned projects of the council.

The council also held £401,742 in the general reserve at the end of the financial year.

Council is reminded that the Joint Panel on Accountability and Governance (JPAG) Practitioner’s guide states ‘*the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority’s general reserve is that this should be maintained at between three and twelve months of net revenue expenditure*’ (para 5.33) and the level should be kept under review.

## G. PAYROLL

### **Internal audit requirement**

*Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.*

### **Audit findings**

I reviewed the total figure being included within box 4 (staff costs) on the Annual Governance and Accountability Return (AGAR) and confirmed that this includes only salary payments, HMRC payments and pension contributions.

## H. ASSETS AND INVESTMENTS

### **Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

### **Audit findings**

I confirmed the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR and was able to trace the changes to the previous year's total against the asset register.

The council has a Public Works Loan Board (PWLB) loan which is for the box office building at the theatre. I was able to confirm the year-end loan balance and in year capital and interest repayments against the PWLB year-end statement.

The council has no long-term investments.

## I. BANK AND CASH

### **Internal audit requirement**

*Periodic and year-end bank account reconciliations were properly carried out.*

### **Audit findings**

I reviewed the March 2023 bank reconciliation and was able to confirm the balances to the bank statements and found no errors. The reconciliations have been signed by a councillor in accordance with Financial Regulation 2.2.

The council has two accounts with Unity Trust. Due to the size of the budget, the council does not benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS), however it may wish to consider spreading the risk by opening an account with an alternate provider.

## J. YEAR END ACCOUNTS

### **Internal audit requirement**

*Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.*

### **Audit findings**

The council, at its meeting to sign off the year-end accounts, must discuss Section 1 of the AGAR (Annual Governance Statement) and record this activity in the minutes of the meeting. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM PRIOR TO THE SIGNING OF SECTION 2 OF THE AGAR (ANNUAL ACCOUNTS).**

**Section 1 – Annual Governance Statement**

Based on the internal audit finding I recommend using the table below as the basis for that discussion.

	<b>Annual Governance Statement</b>	<i>'Yes', means that this authority</i>	<b>Suggested response based on evidence</b>
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> – accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	<b>YES</b> – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	<b>YES</b> – the Clerk advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	<b>YES</b> – the requirements and timescales for 2021/22 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	<b>YES</b> – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	<b>YES</b> – the council has appointed an independent and competent internal auditor.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	<b>YES</b> – matters raised in internal and external audit reports have been addressed.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	<b>YES</b> – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	<b>YES</b> – the council has met its responsibilities as a trustee.

**Section 2 – Accounting Statements**

AGAR box number		2021/22	2022/23	Internal Auditor notes
1	Balances brought forward	2,175,895	2,918,496	Agrees to 2021/22 carry forward (box 7)
2	Precept or rates and levies	1,765,245	1,867,228	Figure confirmed to central records
3	Total other receipts	365,602	265,047	Agrees to underlying records
4	Staff costs	245,817	392,149	Agrees to underlying records
5	Loan interest/capital repayments	14,123	13,884	Verified against PWLB records
6	All other payments	1,128,306	2,121,324	Agrees to underlying records
7	Balances carried forward	2,918,496	2,523,414	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	2,803,347	2,421,798	Agrees to bank reconciliation
9	Total fixed assets plus long-term investments and assets	561,402	828,813	Matches asset register
10	Total borrowings	165,000	155,000	Verified against PWLB records
11a	Disclosure note re Trust Funds (including charitable)	YES	YES	Yes – the council is a sole trustee
11b	Disclosure note re Trust Funds (including charitable)		YES	Yes – the council has met the requirements of the disclosure notice

**Audit findings**

The year-end accounts have been correctly prepared on an income and expenditure basis with the box 7 and 8 reconciliation explained using the accounting records. I tested the debtors, creditors, pre-payments and accruals and am satisfied that these are all legitimately posted to the accounts.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2021/22.

The variance analysis has been completed in detail to explain the variances exceeding 15% where required, and in my opinion, contains sufficient narrative and quantitative information for the External Auditor.

**K. LIMITED ASSURANCE REVIEW****Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")*

**Audit findings**

The council did not certify itself exempt in 2021/22 due to exceeding the income and expenditure limits and this test does not apply.



**L: PUBLICATION OF INFORMATION****Internal audit requirement**

*The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation*

**Audit findings**

This internal control objective has changed since last year. Where previously it related to the relevant Transparency Codes, a council with annual turnover exceeding £25,000 was recommended to follow the Local Government Transparency Code 2015, but it was not a statutory requirement.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

**13(1)** An authority must publish (which must include publication on that authority's website)

- (a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and
- (b) the Annual Governance Statement approved in accordance with regulation 6(3)

**13(2)** Where documents are published under paragraph (1), the authority must

- (a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and
- (b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

I was able to confirm that pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor's Report and Certificate) of the AGAR are available for review on the council website for the last five years.

**M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS****Internal audit requirement**

*The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

**Audit findings**

Inspection – key dates	2021/22 Actual	2022/23 Proposed
Date AGAR signed by council	28 June 2022	27 June 2023
Date inspection notice issued	29 June 2022	30 June 2023
Inspection period begins	1 July 2022	3 July 2023
Inspection period ends	11 August 2022	11 August 2023
Correct length (30 working days)	Yes	Yes
Common period included (first 10 working days of July)	Yes	Yes

I am satisfied the requirements of this control objective were met for 2021/22, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

I was able to confirm that the proposed dates for 2022/23 meet the statutory requirements.

**Achievement of control assertions at year-end audit date**

Based on the tests conducted during the year-end audit, our conclusions on the achievement of the internal control objectives are summarised in the table below and are reflected in the completion of the Annual Internal Audit Report within the AGAR.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			√
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.	√		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	√		
K	If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			√
L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	√		
M	The authority, during the previous year (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	√		
N	The authority has complied with the publication requirements for 2021/22 AGAR.	√		
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.	√		

Should you have any queries please do not hesitate to contact me.

Yours sincerely



**Andy Beams**

For Mulberry & Co

**Year-End Audit - Points Carried Forward**

Audit Point	Audit Findings	Council comments
None		