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Our Ref: MARK/LOW002

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

24 November 2023

Dear Shona

Re: Lowestoft Town Council
Internal Audit Year Ended 31 March 2024 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 24 November 2023 we enclose our report for your kind attention and presentation to the council. The audit was 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 at the interim audit. 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 2023/24 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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A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Audit findings

The interim audit was conducted on site with the Deputy Town Clerk and Finance & Information Officer. The information advised in advance of the visit had been prepared and was available for review, and overall, I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Deputy Town Clerk and Finance & Information Officer and a review of the council website www.lowestofttowncouncil.gov.uk

The council continues to the Rialtas Business Solutions (RBS) accounting package for recording the council's finances. This is an industry specific accounting package and I make no recommendation to change. The accounting package is updated regularly and used to produce management information reports for review at council meetings.

I'd like to thank the Deputy Town Clerk and Finance & Information Officer for their help during the visit at what is clearly a very busy time for the council.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit

The External Auditor's Report was not qualified and has been published on the council website along with the Notice of Conclusion of Audit and was reported to the council meeting held on 26 September 2023 (minute ref 90.9).

Confirm by sample testing that councillors sign statutory office forms

I confirmed at previous internal audit visits that councillors sign "Acceptance of Office" forms. The council website provides a link to the East Suffolk District Council website where details of the individual councillor's Register of Members' Interests are published.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. The council website includes detailed information covering aspects of the code, although the addition of a single Transparency tab on the website may make this information easier to find.

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.*

The council has a Privacy Notice and Accessibility Statement on the home page of its website, and it is clear the council has made every effort to comply with the website requirements.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure in place. Terms of reference for each committee are published on the council website, along with future meeting dates and historic agendas and minutes for council and committee meetings.

Check that agendas for meetings are published giving 3 clear days' notice

I was able to confirm that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

I note the council publishes detailed non-confidential supporting papers alongside agendas on the council website in accordance with the requirements of the Information Commissioner's Office.

Check the draft minutes of the last meeting(s) are on the council's website

Minutes are routinely posted to the council's website, and I was able to confirm the most recent were available for council and committee meetings.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council in May 2023 (minute ref 10).

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in in May 2023 (minute ref 10). The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

- the council for all items over £10,000;*
- a duly delegated committee of the council for items over £5,000, unless specifically delegated a higher commitment within a set budget; or*
- The Clerk, individually or in conjunction with Chair of Council or Chair of the appropriate committee for any items below £5,000, unless specifically delegated a higher commitment within a set budget.*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary by the appropriate Chair.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.4. In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for expenditure, subject to a limit of £25,000. The Clerk shall report such action to the Chair as soon as possible and to the council as soon as practicable thereafter

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate.

The council has procedures in place for the management of the award of contracts and tender, including the below provisions contained within the adopted Financial Regulations:

FR 11.1.(b) Where the council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 ("the Regulations") which is valued at £25,000 or more, the council shall comply with the relevant requirements of the Regulations.

FR 11.1.(h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain three quotations (priced descriptions of the proposed supply) where the value is not less than £10,000; where the value is below £10,000 and above £2,500 the Clerk or RFO shall strive to obtain three estimates. Otherwise, Regulation 10.3 above shall apply.

A search of the council minutes shows that councillors are made aware of these requirements by officers and appropriate measures are taken relevant to the anticipated financial threshold of the contract under consideration.

A search of the Gov.UK Contract Finder website shows two current opportunities being advertised by the Town Council for *Contract Administration Services, Lowestoft Town Hall Restoration* and *Quantity Surveying/Cost Consultant Services, Lowestoft Town Hall Restoration* in accordance with The Public Contracts Regulations 2015.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £9.93 per elector

The council confirmed its eligibility and adopted the General Power of Competence (GPC) at the annual council meeting in May 2023 and the section 137 threshold does not apply.

Check receipt of VAT refund matches last submitted VAT return

The council submits its VAT return on a quarterly basis. I reviewed the submission for the period ending 30 September 2023 which showed a refund amount due of £9,7,840.38. The Finance & Information Officer had already noted that the refund received on 15 November 2023 was for a different amount (£97,908.73) and this matter is under investigation at present. The council is up to date with its VAT submissions.

Confirm that checks of the accounts are made by a councillor

The system noted above details 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

The council has a risk assessment and management policy, which was last reviewed and approved by council in May 2023 and is published on the council website. I reviewed the policy, which is an in depth document explaining the nature of risk management and providing a risk matrix assessing the likelihood and severity of an incident, which is colour-coded to identify low/medium/high overall risk levels.

The detailed risk assessment breaks down risks into areas of the council's business, identifies the specific risk, assesses the likelihood and impact based on the risk matrix, lists mitigation measures in place and additional measures required and sets out a timeframe and officer responsibility for each element.

This is a comprehensive document and demonstrates that the council takes its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Zurich Insurance in a long-term agreement expiring in April 2024. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million each and a Fidelity Guarantee level of £5 million which is sufficient for a council of this size.

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 council set a precept of £1,975,790 for 2023/24. With a tax base of 12,926.1, this equates to a band D equivalent of £152.85 (compared to the average in England of £79.35).

The Finance & Information Officer confirmed that the 2024/25 budget setting process is underway, with weekly meetings of the Budget & Loan sub-committee taking place to formulate a final draft proposal. This will subsequently be considered by council at either the December 2023 or January 2024 council meeting.

There is evidence within the minutes of council and committee meetings of regular reviews of financial performance throughout the year, including reviews of budgets. The year to date figures to the end of October 2023 show that expenditure is in line with expectations.

The amount of financial information shared with councillors is sufficient to support the making of informed decisions.

There is a detailed spreadsheet listing earmarked reserves (EMR) which projects the total EMR balance at the year-end to be circa £1.9 million. The projected year-end general reserve balance is circa £291,000.

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).

The general reserve balance is below the recommended range, although I note the council budget includes provision for increasing this figure annually, with the aim to increase the level to closer to 50% of the precept.

E. INCOME**Internal audit requirement**

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Audit findings

The precept accounts for over 90% of the Town Council's budgeted income and I was able to verify that this has been received in full, matches the figure held on the government precept database and allocated to the appropriate nominal code in the accounting package.

Other budgeted income sources are from property lettings and an income from the allotment association. From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

I reviewed the sales and purchase ledgers with the Finance & Information Officer. Neither has any significantly overdue amounts, and for each entry showing as overdue the Finance & Information Officer was aware of the circumstances and measures are in place to rectify the position. For a council of this size, this demonstrates there are string credit controls in place.

F. PETTY CASH**Internal audit requirement**

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

Audit findings

The council has no petty cash.

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

Payroll is currently processed via a third party, who completes the PAYE and pension deductions. The council is a member of the Local Government Pension Scheme (LGPS). I reviewed the payslips for month 7 and the payroll deductions appear correct. Attached to the payslips are authorisation slips signed by the Town Clerk and the councillor who approved the payment via BACS.

I was provided with evidence of the HMRC payments and pension payments being made and am satisfied the council is up to date with these requirements.

I remind the council that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There are no councillor allowances, although expenses are reimbursed to councillors where appropriate.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register in place, which is maintained is currently maintained in an excel format, although the Finance & Information Officer confirmed that the council are currently trialling an alternate system for the asset register.

The current register includes a summary page and detailed breakdowns of assets within different areas of the council's business. Assets are correctly listed at original net cost, or as a nominal £1 if transferred/donated/bequeathed to the council. A check of the register to ensure it is up to date and matches the AGAR information will be completed at the year-end audit.

The council has a PWLB loan which was taken out for the box office building at the theatre, and a consultation is currently underway (advertised on the council website) for a further loan to raise the remaining funds needed for the refurbishment of the Town Hall. A check of the year-end loan balance and in year payments will be completed at the final internal audit.

I note the council has an adopted Investment Policy, which was most recently reviewed and approved by council in May 2023. The policy refers to the statutory guidance on local government investments and helps support council decisions on the prudent management of funds held by the council.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Financial Regulation 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chair or payment signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Finance and Governance Committee.'

Bank reconciliations are completed monthly and presented to council. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors. I note that the reconciliation and bank statement have been signed in accordance with the Financial Regulations.

Due to the size of its annual budget, the council does not benefit from any protection offered by the Financial Services Compensation Scheme (FSCS).

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

Testing to be conducted at final audit.

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

IF the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick “not covered”)

Audit findings

The council did not certify itself exempt in 2022/23 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

Testing to be conducted at final audit.

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

I am satisfied the requirements of this control objective were met for 2022/23, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2022/23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2023 authorities must publish:

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited*
- *Section 1 - Annual Governance Statement 2022/23, approved and signed, page 4*
- *Section 2 - Accounting Statements 2022/23, approved and signed, page 5*

Not later than 30 September 2023 authorities must publish:

- *Notice of conclusion of audit*
- *Section 3 - External Auditor Report and Certificate*
- *Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.*

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

Audit findings

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of audit and External Auditor Report and I was able to confirm that the publication requirements for 2022/23 have been met.

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Audit findings

The council is the trustee of the Frank Thomas Arnold for a Park or Recreation Ground (charity number 304785). I reviewed the information on the Charity Commission website, which shows all reporting is up to date and the council is correctly listed as the sole trustee.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	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 financial 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.	To be tested at final audit		
K	If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 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	To be tested at final audit		
M	The authority, during the previous year (2022-23) 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 2022/23 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.

Your final audit date has been booked for Wednesday 29 May 2024 at 9 am at the Town Council Office.

Yours sincerely



Andy Beams

For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
None		