



Lowestoft Town Council
INTERNAL CONTROL STATEMENT FOR YEAR ENDING 31 MARCH 2019

1. SCOPE OF RESPONSIBILITY

Lowestoft Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council:

The Council reviews its obligations and objectives and usually approves budgets for the following year at its November/December meeting. The January meeting of the Council usually approves the level of precept for the following financial year.

The Council has appointed a Finance and Governance Committee. The Committee meets not less than 10 times during the financial year. Members of the Committee monitor progress against objectives, financial systems and procedures, budgetary control and carry out regular reviews of financial matters. The minutes of the meetings of the Committee are circulated to all members of the Council. A councillor responsible for bank reconciliation checks has been appointed.

The Full Council meets at least 11 times each year and monitors progress against its aims and objectives at each meeting by receiving relevant reports from the Finance and Governance Committee and the Town Clerk and Responsible Financial Officer.

The Council carries out regular reviews of its internal controls, systems and procedures. **See attached Appendix 1.**

Clerk to the Council/Responsible Finance Officer:

The Council has appointed a Clerk to the Council who acts as the Council's advisor, administrator and Responsible Financial Officer (RFO). The Clerk is responsible for advising on the day to day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also provides advice to help the Council ensure that its procedures, control systems and policies are adhered to. As RFO, the Clerk is responsible for administering the Council's finances and takes particular responsibility in relation to advising on financial matters, including compliance.

Payments:

All payments are reported to the Council or Finance and Governance Committee or Clerk for Approval where delegations permit. All payments must be reported to Council. Any delegations are only as authorised by s.101 of the Local Government Act 1972 and the Council's financial regulations and as authorised by Full Council.

Two members of the Council must sign every cheque or order for payment. The signatories should consider each cheque against the relevant invoice, sign the invoice and initial the cheque counterfoil or relevant online banking paperwork. All authorised cheque signatories are members of the Council. No officer of the Council can sign cheques. All payments should align with the Council's financial regulations unless authorised by Full Council.

Income:

All income is received and banked in the Council's name in a timely manner and reported to the Council.

Risk Assessments/Risk Management:

The Council reviews its risk assessment annually, usually in May, and regularly reviews its systems and controls.

Internal Audit:

The Council appoints an independent and competent internal auditor who reports to the Council three times a year, including for the year end, on the adequacy of its:

- Records
- Procedures
- Systems
- Internal control
- Regulations
- Risk management

External Audit:

The Council's external auditors submit an annual certificate of audit which is presented to the Council.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control and will also review the effectiveness of internal audit. The results of that review will be considered by the Council, which will also approve the related Statement on Internal Control.

Mayor

RFO/Clerk

Approved and adopted by Lowestoft Town Council

Meeting date:



Lowestoft Town Council

INTERNAL CONTROL STATEMENT FOR YEAR ENDING 31 MARCH 2019

Appendix 1

The Accounts & Audit (England) Regulations 2015 aim to strengthen governance and accountability through requirements related to internal control and internal audit.

Regulation 3 states: "A relevant authority must ensure that it has a sound system of internal control which—

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct each financial year a review of the effectiveness of the system of internal control.

Proper Practice – setting the framework for our internal controls

The publication *Governance and Accountability for Smaller Authorities in England*, March 2019 provides the Proper Practices with which Lowestoft Town Council is required to comply.

Internal Audit – examining our internal controls

The Town Council appoints an internal auditor for audits three times in the financial year and annually reviews the effectiveness of the internal audit (independence, competence, proportionality and scope). The purpose of internal audit is to review and report to the Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective. The annual internal audit report focuses on internal control objectives covering the key financial and accounting systems and concludes whether, in all significant respects, the internal control objectives were being achieved throughout the financial year to a standard adequate to meet our needs.

External Audit – examining our internal controls

Lowestoft Town Council intends to be able to confirm in its governance statements in the Annual Governance and Accountability Return that it has maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. To achieve this it needs to ensure the following internal controls are in place and effective:

- 1) Suitable Standing Orders and Financial Regulations.
- 2) Safe and Efficient Arrangements to Safeguard Public Money, including through the proper administration of our financial affairs, appointing one of our officers (the Responsible Financial Officer – RFO) to have formal responsibility for those affairs, appropriate authorisations of payments, bank account and bank mandate approvals, signatory and credit cards controls, risk assessment, and training for those with direct responsibility for money.
- 3) Compliant employment practice and suitably controlled payroll.
- 4) Robust VAT practices.
- 5) Properly maintained and efficiently managed fixed assets and equipment with appropriate procedures for any asset disposal and capital receipts.
- 6) Affordable and appropriate loans, if any, and long-term liabilities.
- 7) Reviewed and effective system of internal control.

As part of its internal control, the Town Council has appointed a non-signatory Councillor to conduct a review of the system of internal control via the following tests on a quarterly basis, with a written

report of any findings to be submitted to the Council and minuted as received.

CONTROL TEST	TEST DONE	COMMENTS – check documents & initial
	Yes or No	
Assets		
Ensuring an up to date Register of Assets	YES	Internal controllers reviewed the asset register list and were satisfied it was compliant with the Transparency Code 2015 recommendations and the Governance and Accountability Guide 2019. Date of internal controls check: 17 April 2019
Regular maintenance arrangement for physical assets	YES	Internal controllers reviewed the electronic files of asset records and management procedures and were satisfied that a regular maintenance arrangement and capital programme for relevant assets was appropriately under development for 2019-20. Date of internal controls check: 17 April 2019
Risk Management		
Annual review of risk and the adequacy of insurance cover	YES	Internal controllers noted that an annual review of risk and the adequacy of insurance cover had taken place and resultant insurance arrangements had been minuted by Full Council. Files reviewed. Date of internal controls check: 17 April 2019
Annual review of financial risk	YES	Internal controllers noted that these had been incorporated into the risk management procedure, minuted by Full council. Date of internal controls check: 17 April 2019
Standing Orders and Financial Regs		
Awareness of Standing Orders and Financial Regulations	YES	Internal controllers noted that Standing Orders and Financial Regulations have been considered by councillors annually. Both were subject to review within 18-19 to take account of experience of use in practice, and would be put forward for adoption at the Annual Meeting. Date of internal controls check: 17 April 2019
Adoption of Financial & Standing Orders	YES	Internal controllers noted that the inaugural meeting on 16 May 2017 adopted both documents and thereafter annually, following review. Dispensation decisions delegated to Proper Officer and resolved to receive summons electronically. Next adoption Annual Meeting May 2019. Date of internal controls check: 17 April 2019
Contracts		
Regular reporting on performance by Contractors	YES	Internal controllers noted the existence of the Service Level Agreement and a Joint Venture Service Agreement which the Council is reviewing as part of the transition of the Waveney Norse contract from WDC. KPIs are under development. Regular meetings with Norse take place and reports are made to the AID Committee. Additionally the Facilities and Contracts Manager meets with his counterpart in Norse fortnightly and as required. Other contractors are liaised with as needed. Date of internal controls check: 17 April 2019
Annual review of contracts (where	YES	Internal controllers reviewed. This is being

appropriate)		<p>reviewed with Norse on an ongoing basis through the CCTV, Finance and Governance and AID Committees. Tenant arrangements also under review in respect of contracts and wider relationship. New arrangements are being entered into as draft leases are approved. Annual contract review arrangements are in place, including to look at value for money, but are inevitably limited in scope where the contract exceeds one year. Compliance framework (legionella etc) established with transfer from WDC. S.113 arrangements with WDC in place for limited legal work with month by month extensions as needed. New contracts and sub-contracts being assessed either through Norse or direct by Facilities and Contracts Manager or RFO or relevant Council body.</p> <p>Date of internal controls check: 17 April 2019</p>
Safeguarding payments & receipts		
Regular bank reconciliation, independently reviewed	YES	<p>Internal controllers carried out checks. Bank reconciliation, salary checks and related paper files seen. Plus reports are made to Council/Finance & Governance that bank reconciliations have been carried out and related information made available. Income and expenditure and balances reported to Full Council and Finance & Governance.</p> <p>Date of internal controls check: 17 April 2019</p>
Regular scrutiny of financial records and proper arrangements for the approval of expenditure	YES	<p>Internal controllers reviewed. Finance and Governance and Full Council receive information in agenda/schedules which is scrutinised in detail by F&G. Receipts and payments with invoices etc. 2 councillor signatories.</p> <p>Date of internal controls check: 17 April 2019</p>
Recording in the minutes/appendices the precise powers under which expenditure is being approved	YES	<p>Internal controllers reviewed. Councillor training provided. RFO checks payment powers. Council has General Power of Competence and this is used for all transactions so not noted on each payment.</p> <p>Date of internal controls check: 17 April 2019</p>
Payments supported by invoices, authorised and minuted	YES	<p>Internal controllers reviewed files and systems, as per regular scrutiny above. Date of internal controls check: 17 April 2019</p>
Regular scrutiny of income records to ensure income is correctly received, recorded and banked	YES	<p>Internal controllers reviewed. RFO checks and then confirmed in minutes as income and balances reported plus reconciliations carried out.</p> <p>Date of internal controls check: 17 April 2019</p>
Scrutiny to ensure precept recorded in the cashbook agrees to Billing Authority notification	YES	<p>Internal controllers reviewed. RFO checks and then confirmed in minutes as income and balances reported plus reconciliations carried out. Date of internal controls check: 17 April 2019</p>
Employment		
<p>Contracts of employment for staff</p> <p>Contract annually reviewed</p> <p>Updating records to record changes in relevant legislation</p> <p>PAYE/NIC properly operated by the Council as an employer</p>	YES	<p>Internal controllers reviewed. Only issued November 2017 to January 2018 so substantive changes not needed. Terms and conditions reviewed at June 2018 Personnel Committee meeting, and thereafter as needed owing to staff additional</p>

		<p>qualifications and career experience progression, which fed into budget and risk management. Appraisals undertaken by Clerk and Mayor with Personnel Committee Chair, as appropriate.</p> <p>The Council has signed up to the Real Living Wage and Anti-Slavery Charter.</p> <p>Subscription and payroll services, pension advice and monitoring of ACAS and .gov.uk sites etc provide information about changes in legislation and good practice. Feeds into Full Council, F & G and Personnel Cttees as appropriate e.g. recent national living wage recommendation.</p> <p>External independent payroll provider used plus payments and salary checks are made by two F & G councillors.</p> <p>Date of internal controls check: 17 April 2019</p>
VAT		
VAT correctly accounted for VAT payments identified, recorded and reclaimed in the cashbook	YES	<p>Internal controllers reviewed. New RBS software populated and in use. RBS attend to support year end. Steve Parkinson used via as consultant VAT support.</p> <p>Date of internal controls check: 17 April 2019</p>
Budget and Monitoring		
Regular financial reporting to Town Council	YES	<p>Internal controllers reviewed. Reports made and minuted accordingly through F&G and Full Council. Both internal controllers are part of F&G. Transferred to RBS system for 18-19.</p> <p>Date of internal controls check: 17 April 2019</p>
Regular budget monitoring statements as reported to Town Council	YES	<p>Internal controllers reviewed. Reports made and minuted accordingly through F&G and Full Council. Both internal controllers are part of F&G. Transferred to RBS system for 18-19.</p> <p>Date of internal controls check: 17 April 2019</p>
Transparency		
Compliance with 2014 Regulations: Officer Decision Reports	YES	<p>Internal controllers reviewed. Delegated decisions set up by Full Council, reported and reviewed at Annual Meeting. Next Annual Meeting for this purpose, 14 May 2019; previous 8 May 2018.</p> <p>Date of internal controls check: 17 April 2019</p>
Compliance with Local Government Transparency Code 2015: Items of expenditure incurred over £500	YES	<p>Internal controllers reviewed. All items receipts and payments on website.</p> <p>Date of internal controls check: 17 April 2019</p>
Minutes properly numbered and paginated with a master copy kept in for safekeeping	YES	<p>Internal controllers reviewed. Files maintained.</p> <p>Date of internal controls check: 17 April 2019</p>
Ethical conduct		
Procedures in place for recording and monitoring Members' Interests and Gifts of Hospitality	YES	<p>Internal controllers reviewed. All members advised. Training made available and being planned for all councillors in 2019 – last date 4 May 2018. Reminder re Register of Interests needing review to be made at Annual Meeting – next date 14 May 2018. One gift made known in 18-19.</p>

		Date of internal controls check: 17 April 2019
Adoption of Codes of Conduct for Members	YES	Internal controllers reviewed. First Annual Meeting adopted and subsequent annual meetings. Date of internal controls check: 17 April 2019
Declaration of Acceptance of Office	YES	Internal controllers reviewed. Files in order and as councillors take office advised plus Mayor at Annual Meeting – next agenda 14 May 2019. Date of internal controls check: 17 April 2019

Date of review of system of Internal Control: 17 April 2019

Review of system of Internal Controls carried out by: Neil Coleby and Graham Parker

Name

Signature

Name

Signature

Report submitted to Council Minute reference

Next review of system of Internal Controls due by April/May 2020

Additional comments - Standing Orders and Financial Regulations being reviewed by RFO for any proposed changes to petty cash, after initial trial period, to go before Council in May 2019. Internal controls document to be reviewed for additional information to detail steps taken in practice.