



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

29 May 2024

Dear Sarah

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

Executive summary

Following completion of our year-end internal audit on 29 May 2024 we enclose our report for your kind attention and presentation to the council. This report contains details of the additional testing conducted at year-end and should be considered alongside the interim audit report issued following our interim audit on 24 November 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 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.

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.

Year-End Audit

The year-end audit was conducted on site. Information was requested from the council in advance of the audit taking place, and this was reviewed along with other information published on the council's website www.lowestofttowncouncil.gov.uk

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Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments on actions taken since interim visit
None		

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

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

Further to the detailed testing conducted at the interim audit, I reviewed the minutes and associated financial papers on the council website and am satisfied that the council continues to follow its adopted Financial Regulations and properly approves payments.

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 Acting Town 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

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

Analysis of the council's year-end income and expenditure report shows total income for the year reported as 137.8% and total expenditure as 117.2%. Adjustments during the year relating to movements to earmarked reserves suggests that the council budget was set appropriately and has been carefully monitored throughout the year.

At the end of the financial year, the council held circa £1,663,043 in earmarked reserves (EMR) and a further circa £502,941 in the general reserve at the end of the financial year.

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 within the recommended range.

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 was able to confirm from the accounting software 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. I confirmed by sample testing of the invoices that items added during the year has been accurately recorded as the original net purchase price.

The council has a Public Works Loan Board (PWLB) loan, and I confirmed the year-end balance and in year payments against the PWLB documents.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

At the interim audit I noted *'I noted that the reconciliation and bank statement have not been signed in accordance with the Financial Regulations, and I will need to see evidence of this practice being reintroduced at the final internal audit to allow for a positive sign-off for this internal control objective.'*

I reviewed the March 2024 bank reconciliation for all accounts and was able to confirm the year-end balances to the bank statements and found no errors.

Due to the size of the council's annual budget, it does not benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). Year-end balances are split across two accounts with Unity Trust and the council should consider an alternate provider to mitigate the risk of holding all funds in one place.

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.

	Annual Governance Statement	<i>'Yes', means that this authority</i>	Suggested response based on evidence
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>	YES – 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>	YES – 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>	YES – 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>	YES – the requirements and timescales for 2022/23 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>	YES – 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>	YES – 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>	YES – 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>	YES – 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>	YES – the council has met its responsibilities as a trustee.

Section 2 – Accounting Statements

AGAR box number		2022/23	2023/24	Internal Auditor notes
1	Balances brought forward	2,918,496	2,523,414	Agrees to 2022/23 carry forward (box 7)
2	Precept or rates and levies	1,867,228	1,975,790	Figure confirmed to central precept record
3	Total other receipts	265,047	980,362	Agrees to underlying accounting records
4	Staff costs	392,149	687,521	Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G)
5	Loan interest/capital repayments	13,884	13,645	Confirmed to PWLB documents
6	All other payments	2,121,324	2,612,415	Agrees to underlying accounting records
7	Balances carried forward	2,523,414	2,165,985	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	2,421,798	2,125,081	Agrees to bank reconciliation for all accounts
9	Total fixed assets plus long-term investments and assets	828,813	1,575,384	Matches asset register total and changes from previous year have been traced
10	Total borrowings	155,000	145,000	Confirmed to PWLB documents
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	Yes – the council meets the disclosure requirement

Audit findings

The year-end accounts have been correctly prepared on an income and expenditure basis with the box 7 and 8 reconciliation explained due to year-end debtors, creditors, accruals, payments in advance and receipts in advance. For a council of this size, there is a minimal amount outstanding at the year-end and all of it relates to recently issued invoices, demonstrating a good level of credit control.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2022/23 and published on the council website.

The variance analysis has been completed 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 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

For councils with a turnover over £25,000, it is recommended best practice to follow the Local Government Transparency Code 2015, but not a statutory requirement and therefore not subject to verification during the internal audit. The Acting Town Clerk requested compliance with the Code be tested as part of the final internal audit, and my comments on this are contained as an appendix to this report.

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 financial years 2018/19 to 2022/23 inclusive.

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

The authority has demonstrated that during summer 2023 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	2023/24 Proposed
Date AGAR signed by council	27 June 2023	25 June 2024
Date inspection notice issued	30 June 2023	26 June 2024
Inspection period begins	3 July 2023	27 June 2024
Inspection period ends	11 August 2023	7 August 2024
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 2022/23, 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 2023/24 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 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	✓		
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.

Yours sincerely



Andy Beams

Mulberry Local Authority Services Ltd

Year-End Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
None		

Appendix - Local Government Transparency Code – compliance with recommended best practice

At the request of the Acting Town Clerk, I have reviewed the content of the Lowestoft Town Council website against the requirements of The Local Government Transparency Code 2015 (the Code). The Code came into effect on 1 April 2015.

At present, the Code is recommended best practice for councils which have gross annual income or expenditure (whichever is higher) exceeding £200,000. It aims to set out what information local councils should publish and how it should be presented.

Full details of the information required to be included for each area is included in [The Local Government Transparency Code 2015](#)

The Code requires the following information to be published **quarterly**:

Area	Publication Requirements	Findings
Expenditure exceeding £500	Local authorities must publish details of each individual item of expenditure that exceeds £500 (net) excluding individual salary payments made to staff members.	A schedule of payments is included in the minutes of meetings. This meets the requirements of the Code but would be more transparent if published as a separate list.
Government Procurement Card transactions	Local authorities must publish details of every transaction on a Government Procurement Card.	The Town Council does not hold a Government Procurement Card and therefore has no information to publish.
Procurement information	Local authorities must publish details of every invitation to tender for contracts to provide goods and services with a value that exceeds £5,000, and details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.	I could find no information on tenders or contracts on the council website.

The Code requires the following information to be published **annually**:

Area	Publication Requirements	Findings
Local authority land and buildings	Local authorities must publish details of all land and building assets.	The asset register is published on the council website, with one page containing the land and building assets with all required information published.
Social housing assets	Local authorities must publish details of the value of social housing stock that is held in their Housing Revenue Account.	The council has a property but I could find no details of social housing information on the council website.
Grants to voluntary, community and social enterprise organisations	Local authorities must publish details of all grants to voluntary, community and social enterprise organisations (either as a separate list or tagged within published expenditure lists).	Details of grants considered and awarded by the council are contained in the minutes of meetings, but publishing these as a separate list would be more transparent.
Organisational chart	Local authorities must publish an organisational chart covering staff in the top three levels of the organisation.	The website shows a staff list, with roles and names. This would be better as an organogram showing the reporting responsibilities within the council structure.
Trade union facility time	Local authorities must publish information about staff who are trade union representatives (<i>not union members</i>)	The Town Council does not have any staff members who are trade union representatives and therefore has no information to publish.

Parking account	Local authorities must publish a breakdown of income and expenditure collected from on and off-street parking and any Penalty Charge Notices and how any surplus on the parking account has been spent.	The Town Council does not have any parking spaces for which it is responsible and therefore has no information to publish.
Parking spaces	Local authorities must publish the number of marked out controlled on and off-street parking spaces within their area (or an estimate of the number of spaces where not individually marked out).	The Town Council does not have any parking spaces for which it is responsible and therefore has no information to publish.
Senior salaries	Local authorities must publish the number of employees whose remuneration in the year is at least £50,000 in brackets of £5,000, and by name for any employee whose remuneration is at least £150,000 in the year.	I could find no information on senior salaries on the council website.
Constitution	Local authorities must publish their constitution. While the definition of constitution remains vague for Town and Parish Councils, this is commonly considered to be the three core governing documents, i.e. Standing Orders, Financial Regulations and Member Code of Conduct	Standing Orders, Financial Regulations and Member Code of Conduct are published within the important documents section of the website.
Pay multiple	Local authorities must publish their pay multiple, defined as the ration between the highest paid taxable earnings for the year and the median earnings of the authority's workforce.	I could find no information on a pay multiple on the council website.
Fraud	Local authorities must publish details of the number of staff members undertaking investigations and prosecutions of fraud, along with amount spend on such work and number of cases investigated.	The Town Council does not have any staff members undertaking investigations and prosecutions of fraud and therefore has no information to publish.

In conclusion, at present the Town Council are publishing some, but not all, of the information required by the Code, and some of the published information is not as transparent as it could be.

Establishing a Transparency Code page on the website could be a good way of placing all the required information in one place, making it easy for compliance to be checked, and more importantly, simple for any interested resident to see.

A good example of this is Salisbury City Council and this [link](#) takes you their website where the information is contained.