

Report to Lowestoft Town Council

Interim Internal Audit (September 2019)

1. Introduction and Summary.

1.1 The Internal Audit reviews programmed for the year 2019/20 provide for two Interim Audits during the year which will lead into and support the End-of-Year Audit which will take place in April/May 2020. In this way the Town Council is supported throughout 2019/20 in terms of receiving assurance upon the adequacy and efficiency of key systems in place. This audit report relates to the first interim review undertaken in the 2019/20 year of account.

1.2 The Town Council continues to maintain effective governance arrangements including a robust framework of financial administration and internal control. Town Councillors and Officers continue to prioritise the need to maintain a high standard of financial management and control. Robust financial safeguarding measures have been adopted, including appointment of two Councillors as internal controllers and a Councillor as an independent bank reconciliation signatory. An External Payroll Provider has been appointed and detailed scrutiny of financial and governance matters is undertaken by the Town Council's Finance and Governance Committee.

1.3 In addition, a wide range of formal policies, procedures and protocols are in place, are being regularly reviewed, and provide a solid foundation for the operation of strong financial management and control.

1.4 The Town Council set a precept of £1,783,537 for the year 2019/20 following a comprehensive review of budget documentation prepared for consideration and approval by Councillors. Formal arrangements are in place to ensure that the information is used effectively for financial control and budgetary control purposes during 2019/20 and to ensure that Town Councillors have sufficient financial information to make informed decisions. Formal procedures are in place for the detailed consideration and approval of a Budget and Precept for the year 2020/21.

1.5 This Interim Internal Audit has confirmed that the Town Council is successfully meeting the significant challenges and demands faced by a new local council. It is clear that the Town Council is committed to develop as an authority and this will include the undertaking of a number of projects to benefit the community. The declaration by the Town Council of a climate emergency and the commitment to consider biodiversity and to work towards being a carbon neutral local authority will impact upon both financial and staff resources. It is particularly important that the appropriate level of staff resources, with suitably qualified and experienced officers, are available to the Town Council's Clerk and Responsible Financial Officer (RFO) in order to meet these demands and to ensure that the Town Council can move forward within an overall framework of effective and robust financial management and control.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed Audit Plan. Comments and any recommendations arising from the review are made below.

2. Governance issues, including Standing Orders and Financial Regulations (examination of Standing Orders, Financial Regulations, Policies and Procedures, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Electronic payments, cheque books and other relevant documents).

2.1 The membership and terms of reference for each Committee were reviewed and agreed by the Town Council at its meeting on 14 May 2019, together with the review and adoption of Officer delegations and Councillor delegations (Minutes 11.1 and 11.2 refer).

2.2 At the meeting on 14 May 2019 the Town Council also noted that Standing Orders had been reviewed in February 2019 by the Standing Orders Working Group (from the Finance and Governance Committee) and had been adopted by Full Council on 12 March 2019. There had been no subsequent amendments and the Council formally re-adopted the Standing Orders (Minute 9 refers).

2.3 Similarly, at the meeting on 14 May 2019 the Town Council noted that Financial Regulations had last been reviewed by the Finance and Governance Committee in January 2019 and had been adopted by Full Council on 12 March 2019. There had been no amendments subsequently and the Council formally re-adopted the Financial Regulations (Minute 10 refers).

2.4 The Clerk/RFO will shortly be reporting to the Finance and Governance Committee on proposals for changes to Financial Regulations with the view of formal adoption by the Town Council during the 2019/20 year.

2.5 The Town Council continues to demonstrate good practice by maintaining at each meeting a standing agenda item of Governance. In this way the Council ensures that all relevant governance matters are brought to Councillors' attention. The Council maintains a high standard of governance through the adoption and review of a wide range of formal Policies and Procedures. These include policies for Data Protection, Document Retention, Equality and Diversity, Grant Awarding, Health and Safety, Media, and Training and Development.

2.6 In addressing its governance responsibilities, the Town Council received a paper listing the Council's policies and procedures at its meeting on 14 May 2019. The Council agreed to adopt the policies and procedures, including the Suffolk Local Code of Conduct, for further review by the appropriate Committee or Full Council, where appropriate (Minute 13 refers). The Grant Awarding Policy was updated/revised at that meeting. Since that time the Council has continued to bring forward new policies and procedures required to reflect the development of the Council, including the adoption of the Tablet Policy and the Market Plan and Traders' Pack on 23 July 2019.

2.7 The Town Council is continuing to apply the General Power of Competence (GPoC) in 2019/20. At its meeting on 14 May 2019 the Council declared that it was an eligible Council to use GPoC, having two-thirds elected Councillors and a suitably qualified Clerk, and adoption of the Power was agreed (Minute 20 refers).

2.8 The Town Council continues to use Unity Trust Bank for its banking requirements and internet banking arrangements, with appropriate controls in place. The Finance and Governance Committee noted on 8 August 2019 that the Town Council is not eligible for protection under the Financial Services Compensation Scheme, being designated as a large local council for those purposes (Minute 57 refers).

2.9 A governance issue highlighted in previous Internal Audit reports concerned the issue of registration of areas of land for which the Town Council is responsible. These matters continue to be progressed; tasks to be performed include the retrieval of hard copies of land registrations, deed packets, etc. from East Suffolk Council for eventual scanning and storage by the Town Council.

2.10 The Town Council is registered with the Information Commissioner's Office (ICO) as a public authority under Data Protection legislation (Registration ZA250273 refers, expiring 23 May 2020). Whilst the Town Council is not required to formally appoint a Data Protection Officer, it has demonstrated good practice by resolving that the Deputy Clerk should take the lead in data protection and freedom of information issues for the Town Council. The Town Council maintains a number of formal Data Protection policies and procedures to demonstrate compliance with the General Data Protection Regulations, including a Document Retention Policy and a Privacy Notice. Town Councillors are currently registered as Data Controllers under data protection legislation. The ICO has recently advised that individual Councillors no longer need to be registered (and, as such, no fee becomes payable) and the Clerk/RFO is currently considering a revision of the registration arrangements.

2.11 The Town Council is making appropriate preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020. The Clerk/RFO and the Communications Assistant have received training on these matters and work has commenced on meeting the new requirements. The Finance and Governance Committee is monitoring the progress being achieved in meeting the requirements (the meeting on 8 August 2019, Minute 62.1 refers).

2.12 The Town Council's Minutes and those of the Council's Committees continue to be extremely well presented and provide clear evidence of the decisions taken by the Council in the year.

2.13 The Town Council is Registered for VAT purposes. Re-claims for VAT paid in the years of account are being promptly submitted to HMRC and reimbursement is being received. A claim for the £62,528.59 net VAT paid from 1 January 2019 to 31 March 2019 was received at bank on 8 May 2019 and was reported to Council at its meeting on 28 May 2019 (Minute 33.1c refers).

2.14 Similarly, a re-claim for the £14,737.79 net VAT paid from 1 April 2019 to 30 June 2019 was received at bank on 7 August 2019 and was reported to Council at its meeting on 20 August 2019 (Minute 97.1c refers).

2.15 The Town Council continues to recognise the importance of the training of Councillors and Staff. The Full Council agreed that best practice and training should be encouraged each time a Councillor is elected, re-elected or co-opted (the meeting on 23 July 2019, Minute 66.1g refers). With regard to staff training, the recommendations by the Finance and Governance Committee on 8 August 2019 (Minute 66.1) in respect of professional training for members of staff were approved by the Town Council at its meeting on 20 August 2019 (Minute 106.2) and appropriate budget sums have been allocated accordingly.

2.16 At its meeting on 25 June 2019 the Town Council agreed to declare a climate emergency and to set up a Climate Emergency Working Group to focus on measures that can be taken to work towards becoming a carbon neutral council and to work with other councils to address the challenges of climate change. Such work will touch upon virtually every aspect of the work of the Town Council and will clearly impact upon consideration of future budgets and staff resources. It is particularly important that the appropriate level of staff resources is available to the Clerk/RFO in order to meet these demands. In this respect, the Budget and Loan Working Group, at its meeting on 2 September 2019, recognised the need to address staff resources in relation to Council events and other duties to ensure that the Town Council can move forward efficiently with appropriate staff in place.

3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts*).

3.1 The RBS system satisfactorily maintains the Town Council's Income and Expenditure accounting system and was seen to be in good order. The RBS accounting information is well referenced and overall provides a good audit trail to the supporting documentation. The data recorded provides good evidence in support of the income and expenditure in the year. Comprehensive financial reports are being produced from the RBS system, both for internal use by staff and for formal presentation to Councillors.

3.2 The RBS accounting system was confirmed as being up to date; entries within the system included transactions up to and including 31 August 2019, with a Bank Reconciliation at that date. The Communications and Customer Services Assistant has received essential training on the RBS system and is able to access and operate the essential elements of the system, make necessary up-dates, generate reports and achieve regular reconciliations between the Accounts and the bank statements.

3.3 The Clerk/RFO and the Communications and Customer Services Assistant are the designated system administrators with unrestricted access to all functions. The Communications and Customer Services Assistant demonstrated to the Internal

Auditor the clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place.

3.4 VAT payments are tracked and identified within the Cashbook and can be used effectively for reclaims to HMRC.

3.5 The Cashbook Payments List and the Receipts List are well referenced and are linked to a paper system which overall provides an adequate audit trail to the Bank Statements. The accounting information provided good evidence in support of the receipts and payments in the year. The Payments system was tested by means of examination of a wide-ranging sample of transactions; these were found to be in order, with supporting invoices and vouchers in place and all suitably recorded and authorised.

3.6 The following accounting issues were identified during the test-check of the data held within the RBS system:

- a) The Debtors list as at 31 August 2019 included a sum of £4,687.50 outstanding relating to three invoices, each of a value of £1,562.50 (dated 30 November 2018, 18 February 2019 and 30 June 2019) relating to the hiring of a Council asset. The Clerk/RFO is currently reviewing the follow-up action on these outstanding sums in order to clear the items as soon as practicably possible.
- b) The Creditors List did not include some £320,000 due to Waveney Norse for Partnership Charges. This amount arises because invoices for the current year have not been submitted to the Town Council.
- c) The values of the Earmarked Reserves and the General Reserves require review as some were mis-stated within the RBS system at the time of the audit review. For instance, the Earmarked Reserve in respect of CIL funds as at 31 August 2019 showed a value of £63,093.00. However, an amount of £3,475.71 CIL funding was received from East Suffolk Council in May 2019 and was still to be reflected in the CIL Reserve.
- d) Similarly, the Earmarked Reserve in respect of the Neighbourhood Plan funds as at 31 August 2019 showed a value of £133. However, an amount of £8,925 funding was received from Groundwork UK in August 2019 and was still to be reflected in the Neighbourhood Plan Reserve value
- e) The Petty Cash records were last updated in the RBS system on 18 July 2019 and any transactions since that time need to be included in the accounting system.

It is recommended that the above matters are reviewed and all necessary adjustments to the accounts are made as soon as practicably possible.

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

4.1 The Town Council's Accounts have been reconciled to the Town Council's Unity Bank Statement as at 31 August 2019. The Internal Auditor examined the Reconciliation and confirmed the balance with the Bank Account Statements.

4.2 The Council's Financial Regulations require a Town Councillor (who is not a Chair or a bank signatory) to take responsibility for checking quarterly Bank Reconciliations. In this respect the Town Council has previously agreed (at its meeting on 22 August 2017, Minute 90.3) that Bank Statements and Bank Reconciliations are to be examined and confirmed by the Finance and Governance Committee.

4.3 The Finance and Governance Committee received confirmation of the satisfactory completion of a Bank Reconciliation as at 30 April 2019 at its meeting on 13 June 2019 (Minute 26.2). At its meeting on 20 August 2019 the Council noted that the earlier signatory had resigned from the Council and another Town Councillor was designated to undertake this duty (Minute 97b refers). The Town Council demonstrates good financial practice in this respect by overseeing this important area of financial control.

4.4 The Bank Reconciliation as at the 31 August 2019 is due to be presented to Councillors at the Finance and Governance Committee meeting on 12 September 2018 (Minute 338 refers).

5. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents).*

5.1 The Finance and Governance Committee has received appropriate Budget Monitoring Reports (details of actuals to budget projections) during the 2019/20 year, including a detailed Budget Monitoring Paper at its meeting on 11 July 2019 (Minute 43.1 refers). The Town Council received detailed estimates of the annual budget and of income and expenditure in respect of the 2019/20 year and is undertaking strategic monitoring of the 2019/20 Budget through a standing agenda item at each meeting. A 2019/20 Budget Monitoring Paper was presented to the Town Council at its meeting on 20 August 2019 (Minute 97.1a). The estimates are being used effectively for financial control and budgetary control purposes.

5.2 Similarly, the Finance and Governance Committee and Full Council receive reports from the Councillor Bank Reconciliation Signatory and reviews the reports prepared regarding the Bank Reconciliations examined and verified.

5.3 The Clerk/RFO has confirmed to the Internal Auditor that the Finance and Governance Committee will be undertaking a detailed and in-depth consideration of the Draft Budget for 2020/21 and will consider all relevant budgetary issues that will lead into a proposed Precept for 2020/21 and a formal recommendation to Full Council in January 2020. The Clerk/RFO has also confirmed that the Capital Programme, which is being constructed alongside the 2020/21 budget plan, will consist of projections for a period of at least 5 years and will identify the estimated amounts to be set aside to meet future capital projects that the Council may determine.

5.4 The Town Council noted the commencement of the budget scrutiny for 2020/21 at its meeting on 20 August 2019 and agreed the merging of the Budget and Loan Working Groups (Minute 97.1e refers). The new Working Group met on 2 September

2019 to undertake a preparatory review leading into the detailed consideration of the 2020/21 Budget. Such formal, detailed examination by Councillors clearly demonstrates the good financial practice operating within the Town Council.

5.5 The Clerk/RFO continues to ensure that the Town Council and its Committees are made fully aware of specific responsibilities, commitments, forward planning and the need for adequate reserves.

5.6 A Reserves Policy is in place and confirms that the Town Council is working towards achieving a level of General Reserves no less than the equivalent of four months' worth of precept (equivalent to £594,500 for the 2019/20 year of account). The level of overall Reserves is reviewed as part of the annual budgeting process and on an on-going basis throughout the year by the Clerk/RFO, Committees and Working Groups.

5.7 The Reserves available to the Council as at 31 August 2019 were appropriate. The RBS accounting system records overall Reserves at £1,337,074 but this total of available funds should be reduced by £320,000 to reflect the Partnership Charges owing to Waveney Norse as at 31 August 2019 (the amount yet to be invoiced to the Town Council).

5.8 The overall Reserves include an amount of £317,813 earmarked for specific projects and CIL funding. This amount of Earmarked Reserves has yet to be adjusted for CIL and Neighbourhood Plan sums received since 1 April 2019. The Clerk/RFO has confirmed that the Earmarked Reserves will be reviewed as part of the consideration of the 2020/21 budget.

5.9 Since the 31 August 2019, the Town Council has placed £450,000 of the available overall Reserves into an Instant Access Account with the Unity Trust Bank.

5.10 In summary, the Town Council is maintaining sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

**6. Internal Financial Controls, Payments Controls and Audit Procedures
(Confirmation that the Council has satisfactory internal financial controls in place).**

6.1 Detailed financial information has been provided by the Clerk/RFO to the Town Council and its Committees during the 2019/20 year in all aspects of the Town Council's operations. This has assisted in the development of a robust and effective financial control framework.

6.2 The Town Council has appointed signatories that are required on all financial transactions and has approved the sections of Financial Regulations to reflect the arrangements in place. Amendments to the list of approved signatories are formally considered and approved by the Town Council (the meeting on 28 May 2019, Minute 33.1i refers).

6.3 The Finance and Governance Committee receives schedules of payments to be made; the list of payments is included in the Minutes of the Committee. The Committee also receives and scrutinises details of income received. The Full Council considers and approves Payments; a detailed list of Payments, including petty cash and credit card transactions, is included within the Council's Minutes.

6.4 As reported at item 3.5 above, this Interim Internal Audit Review included the detailed testing of the Payments system by means of examination of a sample of transactions over the first 5 months of the 2019/20 year of account, the supporting invoices and vouchers and confirmation of the necessary authorisations. The testing of the sample of transactions proved satisfactory and confirmed that adequate and effective internal financial controls are in place.

6.5 The Town Council considered and approved the End-of-Year Annual Governance and Accountability Return Part 3 (AGAR) for the year 2018/19 (Sections 1 and 2) at its meeting on 14 May 2019 (Minute 22.2c refers). A copy of the Return has been correctly published on the Town Council's website.

6.6 The Internal Audit Report for the year 2018/19, completed within the AGAR, assisted in informing the Town Council in its consideration of Sections 1 and 2 of the AGAR and has similarly been published, as required, on the Council's website. The detailed copy of the Internal Audit Report was considered and agreed by the Council at its meeting held on 14 May 2019, alongside the Action Plan delivered by the Clerk/RFO (Minute 22.2a refers).

6.7 The Internal Audit arrangements for the year 2019/20 were considered and agreed by the Town Council at its meeting on 14 May 2019 (Minute 22.2a refers).

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

7.1 The Town Council's Payroll Services are currently being operated by Guy McGregor and Associates (GM Accountants & Tax Consultants Ltd) operating as the affiliate practice of the company trading as Sword and Trowel Bookkeeping Limited of Crowland, Peterborough (with a local office in Eye, Suffolk).

7.2 The contractors provide Payroll Services at a cost of £4.50 per payslip and £3.50 per pension transaction (the Town Council's meeting on 5 June 2018, Minute 333.1 refers). The Clerk/RFO has advised Internal Audit that the detailed operation of the payroll by the service providers is being carefully monitored. This followed the application by the contractor of an employment allowance of £3,000 in May 2019 in error (local authorities are not eligible to receive the employment allowance, which is a reduction in sums payable by employers to HMRC in respect of National Insurance Contributions). Provision currently stands in the Town Council's accounts for a £3,000 Listed Creditor to accommodate the refund that is due to HMRC.

7.3 The Finance and Governance Committee receives details of salary costs per month; salary payment totals are recorded in the Committee's Minutes.

7.4 At its meeting on 18 December 2018 the Town Council agreed that it would apply the NJC salary cost of living increase to all staff on an on-going basis, regardless of whether a contractual obligation exists, until further notice (Minute 470.1 refers).

7.5 The Internal Auditor undertook detailed checks on the salary payments made during the period 1 April 2019 through to 31 August 2019 (and which reflected the new pay scales for 2019/20 applied from 1 April 2019) and these were found to be in order.

8. Petty Cash System (*Associated books and established system in place*).

8.1 The Town Council considered and approved the Petty Cash Policy and Procedure (and an amendment to Financial Regulations regarding Petty Cash) at its meeting on 22 January 2019 (Minute 486.1m refers). The details of Petty Cash transactions are itemised and presented to each meeting of the Town Council to note and approve.

8.2 The Clerk/RFO (or the Deputy Clerk where the Clerk is absent) manages and administers the petty cash system with a normal rolling balance not exceeding £250 and a total annual expenditure not exceeding £500. The approved arrangements provide that checks on the balance and recorded transactions are made by a Councillor Internal Controller, including a cash reconciliation with the petty cash log. This reconciliation also forms part of the Town Council's overall bank reconciliation process; these reconciliations are reported to Finance and Governance Committee and Full Council.

8.3 Petty Cash transactions are recorded within the RBS accounting system and reported to Finance and Governance Committee meetings and Full Council. The arrangements also provide that bank signatories sign off the petty cash log against receipts at not greater than two-monthly intervals.

8.4 As part of this Interim Internal Audit, test checks were undertaken on the operation of the Petty Cash arrangements and the paperwork being maintained in order to confirm that the approved procedures are operating satisfactorily.

9. Income controls (*Regarding Precept and other income, Fees and Charges and the administration of debtors' accounts*).

9.1 The Income system was tested during this Interim Internal Audit Review by means of examination of a sample of transactions that took place during the period April 2019 to August 2019. The audit trails were found to be in order, with supporting invoices/vouchers in place. The review confirmed that adequate records are being maintained in the RBS accounting system and satisfactory documentary evidence is being retained to support the income received. There is a clear audit trail from the income recorded in the RBS accounting system to bank account statements.

9.2 The Clerk/RFO and her staff are aware of the importance of income being fully and promptly recorded in the RBS system, the need for adequate and effective security over any cash/cheques received as well as all income being accounted for and banked promptly.

9.3 A test-check of the arrangements in place for following-up overdue accounts for sums due from the Council's Tenants revealed that £4,687.50 was outstanding from one tenant as at 31 August 2019 (as detailed at item 3.6 (a) above. The Clerk/RFO has agreed to investigate this matter.

9.4 A significant issue for the Town Council regarding income relates to the setting of Leisure Fees. In terms of Leisure Fees for the current year, 2019/20, the Town Council agreed that charges to sports clubs would be re-introduced alongside a grant scheme to assist the clubs which have engaged with the Council; the facilities would remain free of charge for members of the public (the Committee's meeting on 28 March 2019, Minute 466 refers). The Clerk/RFO has advised Internal Audit that the Leisure Fee Policy is to be reviewed by the Council as part of the overall budget-setting process for the year 2020/21.

10. Internal Control, Risk Management, Risk Assessments and Insurance cover (Review by Council of the effectiveness of internal controls, including the management of risk and Minuted accordingly).

10.1 The Town Council continues to place emphasis upon ensuring that robust and effective Internal Control and Risk Management arrangements are in place. The risk management documentation is comprehensive and clearly identifies the risks involved and the action being taken to manage and mitigate those risks. The Risk Assessment documents are formally considered by Full Council at least once each year and are considered routinely by the Finance and Governance Committee, which has a standing item at each meeting for the consideration of legal, compliance and risk management issues.

10.2 The Town Council has an effective internal controls process in place, including a checking list, and has designated two Councillors as Internal Controllers to undertake a review of the system of internal controls, complete all necessary checks and sign a report in confirmation that the review has been undertaken. A report relating to the internal control examination by the nominated Councillors was presented to Council at its meeting on 14 May 2019 (Minute 22.2b refers) and assisted in informing the Council in its completion of the Annual Governance and Accountability Return (AGAR) for the year 2018/19.

10.3 The two Internal Controllers for the year 2019/20 were appointed by the Council at its meeting on 14 May 2019 (Minute 2.3 refers).

10.4 In order to comply with Section 4 of the Accounts and Audit Regulations 2015, the Town Council must undertake before the end of March 2020 a formal review of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, and Minute the review accordingly. The

Clerk/RFO has confirmed that this formal review will take place before the end of March 2020 and will include the consideration of all matters that may be required to be added to the risk management documentation following the complete cessation of the 113 Agreement and any other significant issues arising during the year of account.

10.5 Insurance cover is in place; at its meeting on 3 April 2018 (Minute 259.5) the Town Council agreed to enter into a Long-Term Agreement with Zurich Insurance for a period of 3 years (the Long-term Agreement is active until 1 April 2021).

10.6 The Zurich insurance cover is reviewed annually and at any point when changes occur. At its meeting on 12 March 2019 the Town Council considered and agreed the current insurance arrangements in place as part of the annual review of the Council's financial safeguards. The Clerk/RFO has advised Internal Audit that Zurich has offered a good service to date. The Council has given delegated authority to the Clerk/RFO for the administration of insurance arrangements and to progress any claims, valuations and additional cover required to safeguard the Council's interests (the meeting on 12 March 2019, Minute 515.1h refers). The Town Council confirmed the arrangements currently in place with Zurich Insurance at its meeting on 14 May 2019 (Minute 18 refers).

10.7 The Town Council's Public Liability cover stands at £15m. The cover for Fidelity Guarantee (Employee/Councillor Dishonesty) currently stands at £2m which would normally be appropriate and in accordance with the recommended guidelines of year-end balances plus 50% of the precept/grants received. However, current reserves stand at £1.3m and the second instalment of Precept (approx. £891,000) is due to be received during the current month. Accordingly, the Fidelity Guarantee cover may be exceeded marginally for a period of time later this month. The Clerk/RFO has confirmed that she will be monitoring the position in order that the insurance cover can be increased if necessary.

10.8 The Finance and Governance Committee considers insurance cover under its Risk Management and Compliance responsibilities.

10.9 Insurance is also reviewed as part of the Town Council's overall audit and risk management procedures. The Town Council demonstrates good practice by requiring that the list of Assets is regularly compared to the insurance schedule in order to ensure that all assets receive appropriate cover and that such comparison should be undertaken at least on an annual basis.

10.10 An important area of risk management within local councils concerns the adequate maintenance of play equipment. In this respect the AID Committee noted at its meeting on 20 May 2019 that independent play inspections are completed annually and are designed to highlight any issues that may need to be addressed to ensure on-going safety. Safety Inspections are managed on behalf of the Town Council by Waveney Norse (as part of the existing contract) and undertaken by the Play Inspection Company. The Clerk/RFO provides reports to Committee and Full Council regarding insurance and claims issues relating to open spaces and has confirmed to the Internal Auditor that, as part of the Town Council meeting its responsibilities for play equipment under its ownership, the inspections undertaken

under the contract arrangements are being carefully monitored with appropriate records being maintained to evidence the monitoring action taken.

11. Section 113 Agreement and Matters Arising from the operation of contracts/transfer of contracts to the Town Council (*balances/funding transferred from the District Council and any held in ring-fenced fund for use by the Town Council; transfer of assets; operation of contracts; contract monitoring processes*).

11.1 Previous Internal Audit Reports have explained in detail the background to the Section 113 Agreement (under the Local Government Act 1972) put in place between the Town Council and the then Waveney District Council, now East Suffolk Council. All services provided under the Section 113 Agreement came to an end on 31 August 2018 other than Asset and Legal Support Services, which continued in place until 30 June 2019 to resolve (inter alia) outstanding Land Registry matters (reported to the meeting of Finance and Governance Committee, 13 June 2019, Minute 24.3 refers). All arrangements under the Section 113 Agreement have now ceased.

11.2 During the previous financial year the Finance and Governance Committee closely scrutinised the Waveney Norse Partnership Charges. The Town Council has given delegated authority to the Clerk/RFO to authorise the monthly payments. These Charges are highly significant in relation to the Town Council's overall budget and effective monitoring of the Partnership Charges is an important element of the Town Council's overall financial control framework. At the time of this audit report no invoices have been received from Waveney Norse relating to Partnership Charges for the year 2019/20 (amounting to some £320,000 as at 31 August 2019). The Clerk/RFO has advised the Internal Auditor that the invoices will be subjected to close scrutiny by both herself and the Finance and Governance Committee when they are received.

11.3 This Interim Internal Audit has confirmed that the Town Council has satisfactory arrangements in place to ensure compliance issues are carefully considered and adequately addressed. The Facilities and Contracts Manager (FCM) continues to maintain spreadsheets devised for overseeing the monitoring and maintenance of sites. Each meeting of the AID Committee has a standing item to consider compliance issues, including compliance monitoring, maintenance and condition surveys. In this respect, at its meeting on 28 May 2019 the Town Council established a Compliance Budget of £20,000, a virement from the General Repairs and Maintenance Budget, ring-fenced for compliance purposes, with delegated authority given to the Clerk/RFO.

11.4 The FCM provides detailed reports to the AID Committee. On 20 May 2019 the FCM provided a presentation to the Committee regarding the cyclical compliance regime and associated cost forecasts. The Council has a responsive repairs and maintenance budget within the Waveney Norse contract and the FCM maintains a spreadsheet identifying the priority level of each issue raised and whether the work is completed by Waveney Norse within the expected time frame. The FCM similarly maintains Legionella and Asbestos compliance and monitoring spreadsheets to record the meeting of the relevant requirements. The FCM's spreadsheet of

compliance data over the next 10 years and the data from condition surveys will be used to inform the budget-setting process for 2020/21.

11.5 Previous Internal Audit Reports have noted the on-going work being undertaken by the AID Committee and the FCM in developing a Service Level Agreement (SLA) with Waveney Norse which will reflect the Town Council's precise requirements in terms of the work required and supported by Key Performance Indicators (KPI's). On 11 July 2019 the Finance and Governance Committee requested a meeting of the Key Performance Indicators Working Group to make progress regarding the KPI's in respect of the Waveney Norse Contract (Minute 50 refers). Although the Working Group has yet to meet the FCM is continuing to identify potential KPI's relating to sustainability and green issues in preparation for their consideration by the Working Group.

11.6 This KPI work continues alongside the development of tender processes, outside of the Waveney Norse contract, aimed to give ease of access to local tradespersons, also placing emphasis on sustainability and green issues, such as the use of local suppliers, staff living locally etc.

11.7 Following a procurement exercise regarding the gas and electricity supply to the Town Council's Assets, the Town Council approved a new supplier (Bulb) at its meeting on 22 January 2019 (Minute 486.1k refers). The transfer to Bulb has yet to take place, following the intention to transfer all utilities from existing suppliers at the same time. Meanwhile, the Clerk/RFO confirmed that the Town Council continues to look at all available options regarding the supply of energy that may prove to be of benefit to the Council, including the use of specialist procurement consultants to assist the selection of an energy provider.

12. Asset control and valuation (*Inspection of asset register, checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

12.1 The Town Council maintains a standing agenda item for Assets, Inclusion and Development at each meeting and receives reports on the ongoing work on asset records and the management and control of assets, including receiving the Minutes of the AID Committee meetings.

12.2 A detailed Register of Land and Assets is maintained and a copy, including building and office equipment, was presented to the Town Council at its meeting on 14 May 2019. It was noted by the Council that Gunton Warren had been removed from the Register, the land having been transferred back into East Suffolk Council's ownership. The Council reviewed and adopted the Register subject to scrutiny by the AID and Finance and Governance Committees (Minute 17 refers).

12.3 The AID Committee reviewed the Register at its meeting on 10 June 2019. It was agreed that assets should be reviewed to determine whether the Town Council may wish to sell land for development or maintain ownership. It was agreed that an Open Spaces Sub-Committee be convened to consider these issues. (Minute 22 refers).

12.4 Similarly, the Finance and Governance Committee reviewed and approved the Register at its meeting on 13 June 2019 (Minute 23 refers). A copy of the Council's Asset Register has been published on the Town Council's website. The Clerk/RFO has confirmed that the Asset Register will shortly be updated with items acquired during 2019/20 (including noticeboards and tablets) and will be presented to Committee again prior to the year-end 31 March 2020.

13. Sole Trustee of the Arnold's Bequest (*The Council has met its responsibilities as a trustee*).

13.1 The Arnold's Bequest was formally transferred to the Town Council during the 2018/19 year of account. The Town Council acts as the Sole Trustee. The Clerk/RFO has confirmed that reports to the Arnold Bequest Charity Board and to the Town Council continue to be made, as necessary, during 2019/20, as part of fulfilling the responsibilities of the Sole Trusteeship.

13.2 The Annual Meeting of the Charity Board took place at the Town Council on 30 April 2019. The Accounts and the Return to the Charity Commission for the year ended 31 March 2019 were considered and agreed. The Charity Board noted at the meeting that Land Registry information was up to date and relevant registrable leases for the land had been secured. The Minutes of the meeting record that there were no known administrative arrangements to complete in relation to the transition from the previous Sole Trustee (Waveney District Council).

13.3 A further meeting of the Arnold Bequest Charity Board was held on 20 August 2019. The Charity Board received an update on the financial position, including details of income and expenditure and bank balances.

13.4 The Charity Commission's website confirms the Frank Thomas Arnold Bequest to be an area of land which was bequeathed to the people of Lowestoft for their use and enjoyment as a Park or Recreation Ground (Charity no. 304785) and as having an Annual Up-date for the year ending 31 March 2018 (received by the Commission on 17 January 2019).

14. External Audit (*Recommendations put forward, or comments made, during the annual review*).

14.1 The External Audit review of the Town Council is being undertaken by PKF Littlejohn LLP for the year of account ending 31 March 2019, following the Town Council's submission of the Annual Governance and Accountability Return for the 2018/19 year.

14.2 The Town Council has been updated by the Clerk/RFO at each meeting as a matter of routine on the progress of the External Audit. PRK Littlejohn LLP's Certificate and Report for the year 2018/19 has not been received at the date of this Internal Audit report.

15. Additional Comments.

15.1 The Annual Meeting of the Town Council was held on 14 May 2019, within the required timescale. The first item of business was the Election of the Mayor in accordance with the requirements of the Local Government Act 1972.

15.2 I would like to record my appreciation to the Clerk/RFO and to all her staff for their support and assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

12 September 2019