

Report to Lowestoft Town Council

Interim Internal Audit (January 2021)

1. Introduction and Summary.

1.1 The Internal Audit reviews programmed for the year 2020/21 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 2021. In this way the Town Council is supported throughout 2020/21 in terms of receiving assurance upon the adequacy and efficiency of key systems in place. This audit report relates to the second interim review undertaken in the 2020/21 year of account.

1.2 This review had to be undertaken remotely/electronically due to the national 'lockdown' in place which aimed to reduce the rate of Covid-19 pandemic infections. The essential information required for the completion of the Internal Audit was e-mailed by Ms Shona Bendix, the Clerk/Responsible Financial Officer (RFO) and her staff to the Internal Auditor. The Zoom platform was also used to provide contact with Ms Bendix and Mr James Cox, the Administration and Finance Assistant, during the audit. All relevant published data held on the Council's website was accessed by the Internal Auditor. Any areas that could not be covered as a result of these remote-working arrangements have been recorded in the Report in order that they can be addressed at a later date, either at the next scheduled internal audit or when circumstances permit.

1.3 The Council is continuing to meet the significant challenges of the pandemic, both in its support to the local community and in maintaining effective governance arrangements. Delegated Authority has been given to the Clerk/RFO to deal with any urgent and necessary business. The Council, its Committees and Sub-Committees have continued to meet during 2020/21 through 'virtual' video meetings. Robust financial safeguarding measures are being maintained, including the appointment of nominated Councillors as internal controllers and independent bank reconciliation signatories. Detailed scrutiny of financial and governance matters is undertaken by the Council's Finance and Governance Committee.

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

1.5 The Council set a precept of £1,837.731 for the year 2020/21 following a comprehensive review of budget documentation prepared for consideration and approval by Councillors. Formal arrangements in place ensured that the budget information has been used effectively for financial control and budgetary control purposes in 2020/21. Similarly, comprehensive procedures were put in place for the detailed consideration and approval of the Budget and Precept for the year 2021/22.

1.6 The Council is currently considering Committee and Sub-Committee structures and Terms of Reference as part of the Council's development pathway. This is aimed

to ensure that there is a robust and effective governance structure, that no unnecessary duplication exists and to identify where improvements in overall governance can be achieved. Any changes approved by Full Council are due to take effect from May 2021.

1.7 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 recommendations arising from the review are made below.

2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (*examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation*).

2.1 The Council's Standing Orders and Financial Regulations and other regulatory issues were examined in detail during the interim internal audit undertaken in October 2020. These areas will be revisited during the End-of-Year Audit in April/May 2021.

2.2 In terms of overall governance, the Membership and Terms of Reference for each Committee were reviewed and agreed by the Council at its meeting on 12 May 2020, together with the appointment of Chairs to Committees. The delegations made to the Clerk/RFO in March 2020 relating to business of the Council during the Covid-19 pandemic were reviewed at the Council's meeting on 22 September 2020, when it was agreed to extend the delegations for a further six months to the end of March 2021.

2.3 The 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.

2.4 The Council maintains a high standard of governance through the adoption and review of a wide range of formal Policies, Procedures and Protocols. At its meeting on 12 May 2020 the Council received a Paper listing the Council's policies and procedures, including Standing Orders, Financial Regulations and the Suffolk Local Code of Conduct, all of which were adopted pending review by the appropriate Committee or Full Council, as appropriate. New Policies are adopted as necessary to meet the continuing development of the Council.

2.5 At its meetings on 13 August 2020 and 10 September 2020 the Finance and Governance Committee agreed to amend the Terms of Reference for the Standing Orders and Policies Sub-Committee to provide that Council policies, Financial Regulations and Standing Orders would be considered over the course of the year. As part of this review process, on 27 October 2020 the Council accepted the Committee's recommendation to adopt the Acquisitions and Disposal Policy. Similarly, the Council considered and adopted the Anti-Harassment and Bullying Policy, the Appraisals Guidance and the Complaints Procedure at its meeting on 24 November 2020.

2.6 Councillors and Officers continue to demonstrate commitment in addressing the challenges of the Covid-19 pandemic in their support to the local community. The Council has adopted a Covid-19 Grant Awarding Policy and, in support of the community, applications for grants were subsequently accepted under the scheme. Further, the Council has maintained a rolling agenda item of 'Actions by the Council in response to the Covid-19 pandemic' which provides the opportunity for Councillors to put forward suggestions and to monitor progress as issues are taken forward.

2.7 Appropriate delegated authority has been given to the Clerk/RFO to deal with urgent and necessary business during the pandemic. In addition, at its meeting on 27 October 2020, the Council gave authority to the Clerk/RFO to consider and determine, with the Mayor and Chair of Finance and Governance Committee, any requests for emergency support.

2.8 The Council, its Committees and Sub-Committees have continued to meet since March 2020 through 'virtual' video meetings.

2.9 The Council is continuing to correctly apply the General Power of Competence (GPoC) having declared at its meeting on 14 May 2019 that it was an eligible Council to use GPoC, having two-thirds elected Councillors and a suitably qualified Clerk.

2.10 Following its declaration of a climate emergency, the Council made the necessary governance arrangements, including setting up a Climate Emergency Committee and adopting a Climate Emergency Structure as a working document to provide a framework for the development of policy and related actions.

2.11 The Council, through the Climate Emergency Committee, is moving forward with a Sustainability Strategy which will calculate the Council's carbon footprint, set targets to reduce the footprint and to achieve other measures identified in the Strategy. The Climate Emergency Committee is tasked by the Council to implement the Strategy. At its meeting on 27 October 2020 the Council accepted the Committee's recommendation that the Council becomes 'net zero' (balancing the amount of emitted greenhouse gases with the equivalent emissions that are either offset or sequestered) by 2030.

2.12 The Sustainability Strategy includes the consideration of measures to improve health and wellbeing to complement the climate change declaration. On 25 August 2020 the Council adopted the Health and Wellbeing Emergency Declaration as a working document to be refined as further work and specific actions were undertaken to support the community. This Declaration, as in the case of the Climate Emergency Declaration, will undoubtedly have a significant impact upon the delivery of Council services (particularly where actions are allocated to Committees and Sub-Committees) as well as a call upon staff time and resources.

2.13 The Climate Change Committee noted at its meeting on 1 September 2020 that the Terms of Reference of all Committees and Sub-Committees require review from a climate emergency perspective to ensure that they are sufficiently tailored and robust to meet the Council's declaration of a climate emergency. Similarly, the Finance and Governance Committee agreed on 8 October 2020 that the Standing Orders and Policies Sub-Committee should carry out a review of Committee

Structure, Terms of Reference and Standing Orders, with all Councillors being invited to provide input into the process.

2.14 The Internal Auditor discussed the issues surrounding the review of Terms of Reference and Structures with the Clerk/RFO, who confirmed that any changes approved by Full Council would only take effect from May 2021.

2.15 The development of the Neighbourhood Plan is a further significant aspect of the Council's overall governance arrangements and although scheduled progress has been impacted upon by the Covid-19 pandemic, an on-going delivery timetable has been published on the Council's website. The timetable details the completed and outstanding work together with the way in which residents may engage in the process.

2.16 During 2020/21 the Council has considered further important aspects of overall strategy, including the Community Engagement Policy. The Infrastructure Investment Plan for CIL and Section 106 funds was approved by Council as a working document and the AID Committee and the Finance and Governance Committee have been charged with its implementation.

2.17 The Council is correctly registered with the Information Commissioner's Office (ICO) as a public authority under Data Protection legislation (Registration ZA250273 refers, expiring 23 May 2021). The Deputy Clerk continues to take the lead in data protection and freedom of information issues for the Council.

2.18 The Council maintains a number of formal Data Protection Policies and Procedures and a Privacy Notice to demonstrate compliance with the General Data Protection Regulations (GDPR). The Data Protection Policy and the Data Retention Policy were reviewed by the Finance and Governance Committee on 12 November 2020 and adopted by Full Council on 24 November 2020. Although the EU GDPR no longer applies directly in the UK, its requirements must now be complied with under a regime known as "the UK GDPR" which follows the Data Protection Act 2018 and other Regulations.

2.19 The Council has worked to meet the new website accessibility regulations which came into effect from 23 September 2020. The Clerk/RFO and members of her staff received training on these matters to ensure that the new requirements were met, as far as possible, by the due date. It is good practice for local councils to publish a Website Accessibility Statement. The Statement details what the Council has done to ensure that as many people as possible are able to use the website, any areas of the website that may not be fully accessible or where there would be a disproportionate burden to secure full accessibility with contact details to report accessibility problems.

Recommendation 1. The Town Council should consider constructing and publishing a Website Accessibility Statement which will include website navigation and accessing information and disclose any areas which are exempt from the Regulations or may involve a disproportionate financial burden to achieve full accessibility.

2.20 The 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. As the members of the Council, Committees and Sub-Committees are not meeting in person owing to the current restrictions, the Minutes are being held for signature at the next suitable meeting.

2.21 The Council continues to recognise the importance of the training of Councillors and Staff in maintaining a high standard of governance. The Council is supporting the professional training for Staff. At its meeting on 1 October 2020, the Budget and Loan Sub-Committee emphasised the importance of staff training and the need for appropriate budget provision for the development of Staff.

2.22 The Suffolk Local Code of Conduct was adopted by the Council at its inaugural meeting on 16 May 2017 and subsequently reviewed and accepted by the Council at its meeting on 24 November 2020. A new model Code of Conduct has recently been consulted upon nationally. The Council considered and expressed support for the new model Code at its meeting on 28 July 2020.

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 and VAT accounting*).

3.1 The RBS system satisfactorily maintains the Council's Income and Expenditure accounting system. The First Interim Internal Audit in October 2020 found the RBS accounting information to be in good order, well referenced and providing an audit trail to the supporting documentation. The data recorded provides good evidence in support of the income and expenditure in the 2020/21 year to date. Comprehensive financial reports are being produced from the RBS system, both for internal use by staff and for formal presentation to Councillors.

3.2 This Second Interim Internal Audit confirmed that the RBS system included transactions up to and including 31 December 2020, with a Bank Reconciliation at that date. The Administration and Finance Assistant has received essential training on the RBS system and is able to competently access and operate all 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 Administration and Finance Assistant continue to be the designated system administrators, the Clerk/RFO having Principal-User Access to all functions and the Assistant having Administrative Access. During the First Interim Internal Audit in 2020/21 the Administration and Finance 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 are being used effectively for reclaims to HMRC. The Council is Registered for VAT purposes. Re-claims for VAT paid are being promptly submitted to HMRC and reimbursement is being received, as follows:

- a) The 2020/21 Quarter 1 re-claim for the £49,832.09 net VAT paid from 1 April 2020 to 30 June 2020 was received at bank on 14 August 2020 and was reported to Council at its meeting on 25 August 2020.
- b) The 2020/21 Quarter 2 re-claim for the £30,040.92 net VAT paid from 1 July 2020 to 30 September 2020 is recorded as received at bank on 12 November 2020 and was reported to Council at its meeting on 15 December 2020.
- c) The 2020/21 Quarter 3 re-claim (for the period 1 October 2020 to 31 December 2020) was being prepared at the time of the Internal Audit.

3.5 The Council continues to use Unity Trust Bank for its banking requirements and internet banking arrangements, with appropriate controls in place.

3.6 The Payments system was tested during the interim audit in October 2020 by means of examination of a wide-ranging sample of transactions covering the period January 2020 to September 2020. These were found to be in order, with supporting invoices and vouchers in place and all suitably recorded and authorised. A sample of transactions in the period October 2020 through to March 2021 will be examined at the End of Year Audit.

3.7 The Cashbook Payments List and the Receipts List for the 2020/21 year are well referenced and are linked to a paper system which overall provides the audit trail to the bank statements. The accounting information provides good evidence in support of the income and expenditure in the year.

3.8 Due to staff working from home and limited use being made of the Council's offices as a result of the pandemic, the Councillor Signatories signed, and confirmed as correct, the payments made during the period April to September 2020 at two sittings held on 29 September 2020 and 6 October 2020.

3.9 This Second Interim Internal Audit identified two relatively minor accounting discrepancies during a test-check of the RBS accounting data:

- a) The Balance Sheet item of Other Debtors as at 31 December 2020 displayed an amount of £325, believed to be an overpayment to HMRC but which no longer applies. The amount should be journalled from the Other Debtors account to the appropriate payroll nominal codes.
- b) The value of the Community Infrastructure Levy (CIL) Earmarked Reserve required up-dating to reflect the income received in the year 2020/21 and the application of funds from the CIL Reserve. The items had been recorded under income and expenditure lines and should now be journalled from those codes to the CIL Earmarked Reserve Fund code.

The Administration and Finance Assistant Clerk/RFO agreed to review the above items and make the necessary adjustments to the accounts.

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

4.1 The Council's Accounts have been reconciled to the Council's Unity Bank Statements as at 31 December 2020. The Internal Auditor examined the Reconciliation and confirmed the balance with the Bank Account Statements.

4.2 The Council's Financial Regulations require a Councillor (who is not a Chair or a bank signatory) to take responsibility for checking quarterly Bank Reconciliations. At its meeting on 26 May 2020, the Council appointed two Councillors as Bank Reconciliation Signatories. Confirmation is made in the Council's Minutes that the Bank Reconciliation Signatories have reviewed and signed-off the Reconciliations.

4.3 In addition to the duties of the Councillor Bank Reconciliation Signatories, the Council has previously agreed that Bank Statements and Bank Reconciliations are to be examined and confirmed by the Finance and Governance Committee as part of the Council's overall framework of financial control. The Committee and Full Council receive reports from the Councillor Bank Reconciliation Signatory and reviews the reports prepared regarding the Reconciliations examined and verified. The Council demonstrates good financial practice by overseeing this important area of financial control.

4.4 The Bank Reconciliation as at the 31 December 2020 has now to be referred to the Councillor Bank Reconciliation Signatory in preparation for presentation to the Finance and Governance Committee and Full Council.

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

5.1 The Council noted at its meeting on 23 June 2020 that the Budget and Loan Sub-Committee was due to review the 2020/21 budget in detail as part of meeting its Terms of Reference. The Sub-Committee accordingly undertook comprehensive budgetary control reviews of the 2020/21 Budget and, in addition, met on a weekly basis from 26 October 2020 to consider the Estimates for the 2021/22 Budget.

5.2 The Finance and Governance Committee has continued to receive appropriate Budget Monitoring Reports (details of actuals to budget projections) during the 2020/21 year, including supporting and noting the work of the Budget and Loan Sub-Committee.

5.3 The Full Council is undertaking strategic monitoring of the 2020/21 Budget through a standing agenda item at each meeting, details being circulated to Councillors and delivered to Full Council meetings for consideration.

5.4 The Budget and Loan Sub-Committee and the Finance and Governance Committee have undertaken detailed and in-depth consideration of the Draft Budget for 2021/22. Full Council considered the recommended Budget and Precept for 2021/22 at its meeting on 15 December 2020. The Council agreed and approved the Budget and a Precept of £1,689,097, which the Council noted represented a 1.54%

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reduction on the Town Council's element of the Council Tax charge compared to the 2020/21 year. The Council's decision and the amount of the Precept was clearly Minuted (Minute 139.2b refers). The Town Council will in addition receive from East Suffolk Council a Local Council Tax Support Grant of £52,405, payable in April 2021, which reflects the council tax relief caseload within Lowestoft.

5.5 The formal, detailed examination by the Budget and Loan Sub-Committee and the Finance and Governance Committee and the strategic overview by the Full Council clearly demonstrate the robust budgetary preparation and monitoring practices operating within the Council.

5.6 The Clerk/RFO confirmed to the Internal Auditor that the Capital Programme, which is being constructed alongside the 2021/22 budget plan, consists 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.

5.7 The Clerk/RFO and Deputy Clerk continue to ensure that the Council and its Committees and Sub-Committees are made fully aware of their specific responsibilities and commitments and the need for forward planning and adequate reserves.

5.8 A formal Reserves Policy is in place. 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, the Finance and Governance Committee and Full Council.

5.9 The Reserves Policy was reviewed by the Finance and Governance Committee on 9 July 2020. The Committee agreed to recommend to Council to adopt the current reserves position, including the application of the Reserves Policy and the allocations in General and Earmarked Reserves. The Full Council approved the Committee's recommendation at its meeting on 28 July 2020.

5.10 At the time of the First Interim Internal Audit Report in October 2020, the General Reserves (the Overall Reserves less Earmarked Reserves and the Current Year Fund) stood at £331,316 which was significantly lower than the aspirational (target) figure within the Reserves Policy, which states that General Reserves should be no less than the equivalent of four months' worth of precept (equivalent to £612,600 for the 2020/21 year of account). The Audit Report dated 16 October 2020 accordingly recommended that the Council should, as soon as practicably possible, review and up-date its General Reserve Policy, to reflect a level appropriate to the size and circumstances of the Town Council and to take account of current best practice prescribed by the Joint Panel on Accountability and Governance (JPAG) with regard to a minimum level of a General Reserve (see item 6.5 below). The Clerk/RFO's Action Plan presented to Council 24 November 2020 proposed that the Finance and Governance Committee should review General Reserves with a view of maintaining a level of no less than 6 months' precept amount.

5.11 Whilst the Council has not set a particular time scale for its General Reserves to reach either a 4 months' precept amount or a 6 months' precept amount, it is clear that neither of these aspirations will be realised in the short-term unless General Reserves and Earmarked Reserves are re-aligned or sums can be applied to

General Reserves from future Precepts. The position will be re-visited by Internal Audit following the completion of the Accounts at the year-end, 31 March 2021.

5.12 As at 31 December 2020 the Council's Overall Reserves (recorded in the Accounts as General Reserves of £331,316, Current Year Fund of £1,138,532 and Earmarked Reserves of £867,285) amounted to £2,337,133, which (taken overall) is clearly sufficient 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 continued to be provided by the Clerk/RFO to the Council and its Committees and Sub-Committees during the 2020/21 year in all aspects of the Council's operations. This has assisted in the maintenance of a robust and effective financial control framework.

6.2 As referred to above, the 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 Council.

6.3 The Finance and Governance Committee receives schedules of payments to be made and 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 which, including any petty cash and credit card transactions, is included within the Council's Minutes.

6.4 During the First Interim Internal Audit 2020/21, the Internal Auditor completed detailed testing of the Payments system for the period January 2020 to September 2020. The testing of the sample of transactions proved satisfactory and confirmed that adequate and effective internal financial controls were in place with supporting invoices and vouchers, all suitably recorded and authorised. This Second Interim Internal Audit for 2020/21 was conducted remotely/electronically and the supporting invoices and vouchers for the three months October 2020 to December 2020 were not examined. A sample of the transactions in that period will be examined during the End-of-Year Audit in April/May 2021 or when circumstances permit.

6.5 The First Interim Internal Audit Report (dated 16 October 2020) was considered and agreed by the Finance and Governance Committee on 12 November 2020 and by Full Council at its meeting on 24 November 2020, alongside the Action Plan delivered by the Clerk/RFO. The Audit Report had put forward three recommendations, as follows:

R1: The Council should review and up-date its General Reserve Policy to reflect a level appropriate to the size and circumstances of the Town Council (*The Action Plan proposed that the Finance and Governance Committee review General Reserves with a view of maintaining a level of no less than 6 months' precept amount*).

R2: The outstanding issues regarding ensuring that the Council's Payroll is administered efficiently and effectively by the Service Provider and that all legal requirements are being adhered to in relation to the processing of the Council's personal data should be resolved as soon as practicably possible. *(The Action Plan confirmed that a review of payroll services is due to be undertaken by the Finance and Governance Committee).*

R3: The Council should consider opening a separate bank account for the Arnold Bequest Charity, in accordance with the JPAG best practice, in order that the Trust Funds are clearly and separately identified for future generations. *(The Action Plan confirmed that this matter would be considered at the meeting of Charity Board on 27 October 2020 - see item 13.4 below).*

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

7.1 The Council's Payroll was examined in detail and tested during the First Interim Internal Audit undertaken in October 2020, when the Internal Auditor undertook detailed checks on a sample of the salary payments made during the period 1 April 2020 through to 30 September 2020 (and which reflected the new pay scales for 2020/21 applied from 1 April 2020) and all was found to be in order. The operation of the payroll between October 2020 and March 2021 is programmed to be examined during the End-of-Year Audit in April/May 2021.

7.2 Council's Payroll Services are currently being operated under contract by Guy McGregor and Associates Ltd., an affiliate practice working under the 'umbrella' of the company trading as Sword and Trowel Bookkeeping Limited of Crowland, Peterborough (with a local office in Eye, Suffolk).

7.3 The Action Plan presented by the Clerk/RFO to the Council on 27 October 2020, which accompanied the First Interim Internal Audit Report, advised that the Clerk/RFO had met the Payroll Provider and a direct letter of engagement had been provided which formalises the issue that payroll management is directly through Guy McGregor and Associates Ltd. as opposed to the umbrella organisation. As stated at item 6.5 above, a review of Payroll Services and Payroll Provider is due to be undertaken by the Finance and Governance Committee.

7.4 A revised staffing structure, the related budget provision and recruitment process issues were considered and agreed by the Council during 2019/20. The Clerk/RFO worked with the Personnel Committee to construct job descriptions and to take the recruitment process forward, with appointments originally planned to take effect from April 2020. The recruitment process was subsequently delayed due to the pandemic. However, an appointment was made in September 2020 to the post of Events and Communications Officer with a starting date of 2 November 2020.

7.5 The Council and the Finance and Governance Committee receive details of salary costs per month. Salary payment totals are recorded in the Minutes of the Council and the Committee.

7.6 The Salary payments for the period April to September 2020 were examined and signed as correct by the Councillor Signatories on 29 September 2020. Similarly, the Salary payments for the period January 2020 to March 2020 were examined and signed as correct by the Councillor Signatories on 2 October 2020.

7.7 At its meeting on 15 December 2020 the Council considered and approved amendments to staff terms and conditions. Most of the salary changes agreed are to apply from 1 April 2021 but any revisions taking place during 2020/21 will be examined at the End-of-Year Internal Audit in April/May 2021.

7.8 The Personnel Committee reviewed the framework for staff appraisals at its meeting on 18 February 2020 and put forward an Appraisals Guidance which was subsequently adopted by the Council on 26 May 2020. The Guidance was reviewed and re-adopted by the Council on 24 November 2020. Staff Appraisals were completed using the Zoom platform. Whilst working from home, staff remain in close contact, with regular staff meetings and individual meetings to discuss work streams.

7.9 With regard to meeting the legislation relating to workplace pensions, the Council noted at its meeting on 27 October 2020 that the required re-declaration of compliance had been made on 29 September 2020 to the Pensions Regulator in accordance with the requirements of the Pensions Act 2008. (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

8. Petty Cash Account and Corporate Charge Cards (*Associated books and established system in place, the arrangements detailed in Financial Regulations*).

8.1 Although the amounts expended in this area are extremely limited, the Internal Auditor is charged to examine the petty cash accounting controls as part of the Annual Governance and Accountability Return (AGAR) certification work.

8.2 The use of credit cards is the Council's preferred method of payment over the handling of cash. The Council noted on 14 May 2020 that both Financial Regulations and the Petty Cash Policy required review and updating to reflect this preferred payment method. The arrangements regarding the administration of the Petty Cash System and the use of Debit/Credit Cards are included in the overall review of Financial Regulations being undertaken by the Standing Orders and Policies Sub-Committee and the Finance and Governance Committee.

8.3 The operation of the revised Petty Cash System and the use of the Credit Card will be examined at the End of Year Internal Audit in order that appropriate certification can be given in the Annual Internal Audit Report within the 2020/21 AGAR.

9. Income controls (Regarding Precept and other income, including fees and charges and credit control mechanisms).

9.1 A significant issue for the Council regarding income relates to the setting of Leisure Fees, the policy for which was reviewed by the Council as part of the overall budget-setting process for 2020/21. The Council resolved that leisure fees be waived for clubs in 2020/21 and that the facilities will remain free of charge to members of the public to promote health and wellbeing in the Town. The Council further agreed that 2020/21 Fees and Charges would remain as at 2019/20 rates.

9.2 With regard to the forthcoming 2021/22 year, the Budget and Loan Sub-Committee recommended waiving leisure fees for 2021/22, subject to clubs providing a report on how they reinvested the money saved and the Finance and Governance Committee has subsequently recommended this to Full Council.

9.3 The Receipts system is operated within the RBS Accounting System. During the First Interim Internal Audit in October 2020, the Internal Auditor completed detailed testing of the Receipts system for the period January 2020 to September 2020. The testing of the samples of transactions proved satisfactory and 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. As this Second Interim Internal Audit for 2020/21 was conducted remotely/electronically, the supporting documentation was not examined for the three months of October 2020 to December 2020. A sample of the transactions in that period will be examined during the End of Year Internal Audit in April/May 2021 or when circumstances permit.

9.4 Due to staff working from home and limited use being made of the Council's offices, the Councillor Signatories signed, and confirmed as correct, the income transactions recorded during the period April to September 2020 at a sitting held on 6 October 2020. The Clerk/RFO confirmed to the Internal Auditor that the date arranged in December 2020 for further signing of transactions had to be cancelled due to the lockdown.

9.5 The Sundry Debtors System has not as yet been incorporated into the RBS Accounting System. The Internal Auditor examined the List of Debtors Outstanding as at 31 December 2020, which totalled £15,260 and consisted of 17 invoices with the following age analysis:

Over 2 years old: 1 invoice totalling:	£1,562.50
Over 1 year old: 4 invoices totalling:	£4,525.00
Over 6 months old: 9 invoices totalling:	£8,887.50
Over 3 months old: 2 invoices totalling:	£205.00
Under 3 months old: 1 invoice totalling:	£80.00

It was noted that the 17 outstanding invoices relate to only 4 parties, one of which has an overall debt of £9,375.

9.6 The Balance Sheet as at 31 December 2020 identified under Current Assets the amount of £15,260 for Debtors and accordingly provide that the Council has an expectation that the sum involved would be recovered.

9.7 The Clerk/RFO confirmed to the Internal Auditor that work was under way to recover the outstanding amounts, having previously been deliberately not pursued with the debtors because of the pandemic. During the course of the audit, the Clerk/RFO took action to successfully recover a significant amount of the older outstanding debts. The Clerk/RFO confirmed at the date of this Final Copy of the Audit Report (29 January 2021) that the Outstanding Debt currently stands at £8,918.21 and that follow-up work on this remaining debt is continuing.

Recommendation 2: Whilst it is recognised that work being undertaken regarding the development of the Debtors system has necessarily been delayed by the pandemic, it is considered that the level and age of outstanding debt identified at the commencement of the audit, now requires that Sundry Debtors (as a specific add-on system) should be incorporated within the RBS Accounting System as soon as possible. The RBS System can subsequently be used to its fullest extent to manage the follow-up action on all outstanding sums to assist reduce the level and age of outstanding debt to the Council.

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 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 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 of 'Other Financial matters' at each meeting for the consideration of legal, compliance and risk management issues.

10.2 The Council demonstrates good risk management and financial control practice by nominating Councillors to act as Internal Controllers to confirm that an effective internal controls process is in place. The arrangements include a check list from which the designated Internal Controllers 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.

10.3 A Councillor Internal Controller for the year 2020/21 was appointed by the Council at its meeting on 12 May 2020 and a substitute Councillor Internal Controller was appointed by the Council on 26 May 2020. The reports by the Councillor Internal Controllers to Council relating to their internal control examinations will assist in

informing the Council in its completion of the Annual Governance and Accountability Return (AGAR) for the year 2020/21.

10.4 In order to comply with Section 4 of the Accounts and Audit Regulations 2015, the Full Council must undertake, before the end of March 2021, a formal review of the effectiveness of the Council's system of internal control, including the arrangements for the 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 2021 and will include the consideration of any matters raised by the Internal Controllers during their reviews in the 2020/21 year of account.

10.5 Insurance cover is in place. At its meeting on 3 April 2018 the Council agreed to enter into a Long-Term Agreement with Zurich Municipal Insurance for a period of 3 years (the Long-term Agreement is active until 1 April 2021). At its meeting on 12 May 2020, the Clerk/RFO presented to Council a detailed report on the insurance cover in place. Being in its final year of the agreement, the Council will need to provide an open procurement process during 2020/21 for a future contract. The Clerk/RFO confirmed to the Internal Auditor that the Council is currently obtaining quotations for the RICS valuation of its buildings and this survey work is due to be completed by the end of January 2021, when the procurement process will begin.

10.6 The insurance premium of £20,770.19 for the year 2020/21 was paid to Zurich Municipal Insurance on 7 April 2020 and reported to Council at its meeting on 26 May 2020. The Council's Employer's Liability cover stands at £10m and the Public Liability cover stands at £15m.

10.7 The previous Internal Audit Report noted that the cover for Fidelity Guarantee (Employee/Councillor Dishonesty) stood at £2m which was significantly below the recommended guidelines of year-end balances plus 50% of the precept/grants received. As at 30 September 2020 overall reserves stood at £2,526,688, the second instalment of Precept (£918.865) having been received during that month. 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 Clerk/RFO contacted the Council's insurers and secured Fidelity Guarantee insurance cover for £5m. with effect from 2 November 2020.

10.8 The Suffolk County Council Pension Fund Committee recently mandated that smaller employers should all have ill-health liability insurance cover in place as standard from 1 April 2021 in order to protect local councils who may be unable to pay a significant liability should one arise. The Clerk/RFO confirmed that the Council is reviewing its position regarding ill-health liability insurance to ensure that it covers the areas of concern raised by the Pension Fund Committee.

10.9 Insurance is closely reviewed by the Council, which 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. The Finance and Governance Committee considers insurance cover under its Risk Management and Compliance responsibilities. The Committee reviewed the Council's insurance arrangements at its

meeting on 5 March 2020 and noted that all the assets on the Council's Register were covered by insurance. The Clerk/RFO confirmed to the Internal Auditor that a similar review by the Committee will take place before the year end of 31 March 2021.

10.10 An important area of risk management within local councils concerns the adequate maintenance of play equipment. The AID Committee is responsible for ensuring 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 of users. Safety Inspections are managed on behalf of the Council by East Suffolk Norse (as part of the current contract) and RoSPA inspections are undertaken by the Play Inspection Company.

10.11 The Clerk/RFO provides reports to AID Committee and Full Council regarding insurance and claims issues relating to open spaces. The Clerk/RFO has confirmed to the Internal Auditor that, as part of the 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. In addition, the Town Council's staff carry out weekly inspections at The Ness and, as required, at other Council assets/locations. Norse undertake monthly inspections of play equipment and related matters as may come to their attention. The Clerk/RFO confirmed that the Council places a high priority upon the safety of its play equipment, which is evidenced through the extent and regularity of the current checking arrangements.

11. Significant matters arising from the operation of contracts/transfer of contracts to the Council (*operation of contracts; contract compliance and contract monitoring procedures*).

11.1 Previous Internal Audit Reviews have confirmed that the Council has satisfactory arrangements in place to ensure compliance issues are carefully considered and adequately addressed. The AID Committee receives all necessary reports on compliance issues, including compliance monitoring, maintenance and condition surveys. The Clerk/RFO continues to maintain spreadsheets devised for overseeing the monitoring and maintenance of sites.

11.2 The payments made in respect of the East Suffolk Norse Partnership are highly significant in relation to the Council's overall budget; effective monitoring of the Partnership Charges is an important element of the Council's overall financial control framework. At its meeting on 8 October 2020, the Finance and Governance Committee considered the East Suffolk Norse analysis of the monthly partnership Fee and the proposed charges for the year 2021/22.

11.3 Following the circumstances created by the pandemic, the Clerk/RFO reviewed with Norse the Partnership Fee, particularly the issues surrounding staff and resource savings since April 2020. The only savings that have become apparent are those relating to seasonal workers in the Norse Grounds Department during the period April to June 2020 amounting to £28,270 which was deducted from the amounts payable by the Town Council. Norse confirmed to the Clerk/RFO that all its

personnel have been working as normal and operations have been completed in accordance with the agreed schedules, including monthly play area inspections, and accordingly no further deductions are anticipated.

11.4 With regard to the overall contractual arrangements in place with Norse, the Council has continued the work which commenced prior to the first lockdown in March/April 2020 regarding a draft contract which provides an appropriate legal framework to extract parties from the arrangement. The Clerk/RFO advised the Internal Auditor that the Norse Contract Working Group has since met Norse and a new contract is currently being constructed.

12. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).

12.1 A detailed Register of Land and Assets is maintained and was reviewed by the AID Committee on 1 June 2020. Full Council considered and approved the Register, including buildings and office equipment, at its meeting on 23 June 2020. The Register was examined during the Interim Internal Audit undertaken in October 2020.

12.2 The 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.

12.3 The Register will be reviewed in detail at the End-of-Year Audit in April/May 2021 in order that appropriate certification can be made in the Annual Internal Audit Report in the Annual Governance and Accountability Return (AGAR) for the year 2020/21. For purposes of the AGAR, the Asset Register displays a nominal £1 value attached to transferred/donated assets, including civic and ceremonial items, the Lowestoft Collection and further civic artefacts transferred and included in the Register. New acquisitions are valued at purchase cost. The Council also maintains an insurance value for each relevant asset based on an understanding of value for that purpose.

12.4 The previous Internal Audit report had noted that the Arnold's Bequest land had not been placed in the Asset Register as the Council is the Sole Trustee only and not the landowner. However, the Joint Panel on Accountability and Governance (JPAG) had suggested that Trust Assets held by a local council should be recorded in the Council's Asset Register as 'Charity Assets held as Trustee' but without their value recorded in the overall total of the Register. The Clerk/RFO informed the Internal Auditor that arrangements are in place to make this small addition to the Register.

13. Sole Trustee (To confirm that the Town Council has met its responsibilities as a trustee).

13.1 The Council acts as the Sole Trustee to the Arnold's Bequest. Reports are made to Meetings of the Arnold Bequest Charity Board and to the Council, as necessary, as part of fulfilling the responsibilities of the Sole Trusteeship.

13.2 The 2020 Annual Meeting of the Charity Board took place as a video meeting on 21 April 2020. The Accounts and the Return to the Charity Commission for the year ended 31 March 2020 were agreed by the Charity Board. The Clerk/RFO confirmed to the Council on 12 May 2020 (as part of an Action Plan presented to Council within the Clerk/RFO's Report) that the Charity Board had agreed the accounts which were to be submitted to the Charity Commission. The Charity Board continued to meet through video meetings on 28 July and 27 October 2020.

13.3 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 2019 (received by the Commission on 31 January 2020). The Clerk/RFO confirmed to the Internal Auditor that the Annual Up-date for the year ending 31 March 2020 is due to be presented to the next Board meeting in January 2021, following which a copy will be submitted to the Commission.

13.4 Following the transfer of the Trust Funds from the (then Waveney) District Council to the Town Council, the Trust Funds have been held in the Council's main bank account. However, The Trust agreed on 27 October 2020 that, in accordance with JPAG best practice, it would be more transparent to separate the Charity Board funds from those of the Town Council and a separate bank account for the Arnold Bequest Charity would be opened.

14. External Audit (Recommendations put forward/comments made following the annual review).

14.1 The External Audit review of the Council for the year of account ending 31 March 2020 was undertaken by PKF Littlejohn LLP, following the Council's submission of the Annual Governance and Accountability Return for the 2019/20 year. The Report and Certificate by the External Auditors is dated 14 July 2020 and raised no issues of concern nor recommended any actions for the Council to take.

14.2 The Report and Certificate by the External Auditors for the 2019/20 year was received by the Full Council at its meeting on 28 July 2020.

15. Publication Requirements.

15.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year the following information on a publicly accessible website (the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents):

Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Following the completion of the External Audit:

Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

15.2 The Internal Auditor was able to confirm that the documents relating to the year 2019/20 were readily accessible on the Council's website:

<https://lowestofttowncouncil.gov.uk/about-the-council/financial-information/>

16. Additional Comments.

16.1 I would like to record my appreciation to Ms Shona Bendix, the Clerk/RFO and to Mr James Cox, the Administration and Finance Assistant, for their support and assistance during the course of this Interim Internal Audit work.

16.2 The End-of-Year Internal Audit 2020/21 has been programmed to take place on 22 April 2021 and 23 April 2021.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

29 January 2021