



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

16 September 2024

Dear Sarah

**Re: Lowestoft Town Council
Internal Audit for Financial Year Ended 31 March 2025 – Interim Audit report**

Executive summary

Following completion of our interim internal audit on 16 September 2024 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Due to the size and nature of the council's responsibilities, the interim audit checking has been split into two visits with a further interim audit scheduled for 17 January 2025. Today's visit primarily focussed on internal control objectives B (Financial Regulations, Governance and Payments) and D (Budget, Precept and Reserves) with other interim checking to be completed in January 2025.

Our report is presented in the same order as the assertions on the internal auditor report within the published Annual Governance and Accountability Return (AGAR). The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of which is available on request. The report concludes with an opinion as to whether each assertion that has been checked has been met or not at this point in the year. Some assertions are tested only at the final internal audit, or will be tested at the second interim audit, and this is reflected where appropriate in the report. **Recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Lowestoft Town Council are well established and followed.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority’s approval of the annual governance statement.

Independence and competence

Your audit was conducted by Andy Beams of Mulberry Local Authority Services Ltd, who has over 34 years’ experience in the financial sector with the last 14 years specialising in local government. Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Engagement Letter

An engagement letter was previously issued to the council covering the 2024/25 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

Table of contents

		PAGE
A	BOOKS OF ACCOUNT	3
B	FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	3
C	RISK MANAGEMENT AND INSURANCE	6
D	BUDGET, PRECEPT AND RESERVES	6
E	INCOME	7
F	PETTY CASH	7
G	PAYROLL	7
H	ASSETS AND INVESTMENTS	7
I	BANK AND CASH	7
J	YEAR END ACCOUNTS	8
K	LIMITED ASSURANCE REVIEW	8
L	PUBLICATION OF INFORMATION	8
M	EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS	8
N	PUBLICATION REQUIREMENTS	9
O	TRUSTEESHIP	9
	ACHIEVEMENT OF CONTROL ASSERTIONS	10
	AUDIT POINTS CARRIED FORWARD	11

A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

Checks were completed on each aspect of the elements within the internal control objective, although the interim audit focus was directed towards the council's processes and procedures relating to the award of contracts and tenders, and compliance with the relevant legislation regarding these awards.

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

The External Auditor's Report had not been received at the date of the interim audit. The Deputy Town Clerk and Finance and Information Officer are both aware that the Report and Notice of Conclusion of Audit must be published on the council's website by the 30 September 2024.

Confirm by sample testing that councillors sign statutory office forms

council website includes a councillor page where the individual Register of Members' Interests forms are published, and I was able to confirm these have all been updated since the last election. On previous internal audit visits, I have confirmed by sample testing that councillors sign "Acceptance of Office" forms.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. A review of the council website shows that information is being published in accordance with the Code.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the councillors are using designated email addresses in accordance with the advice contained within the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2024) as below:

The importance of using .gov.uk domains for websites and emails

5.210. All Parish, Town and Community Councils are eligible to use, and are advised to use, a .gov.uk domain for their websites and email communications. Your community, suppliers and partners will now reasonably expect a local council to have a .gov.uk domain name. Note that Parish meetings are exempt from the requirement to have a website.

5.211. To assist with compliance with the General Data Protection Regulations (GDPR), it is advised that clerks provide official .gov.uk email accounts to their councillors, which must only be used for official council business.

5.212. When choosing a domain name all councils must follow the rules set out by the Cabinet Office to choose a .gov.uk domain name, for example, 'ourparishcouncil.gov.uk' with email addresses linked to that domain.

5.213. Using a .gov.uk domain for your council website and email accounts gives Parish Councils the following advantages:

5.214. *Increased professionalism and trust from members of your community, partners and suppliers because your email address and website domains are a trusted government brand.*

5.215. *Separation of your personal life from your professional life, ensuring members of your community, partners and suppliers understand what capacity you are emailing them in - whether a Councillor or Clerk.*

5.216. *Increased control for the Responsible Officer over email accounts and documentation when managing new joiners, leavers, sudden absences or Freedom of Information and Subject Access Requests.*

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

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a comprehensive committee and sub-committee structure in place. Terms of reference are available on the council website along with details of the meeting schedule and the agendas, supporting papers and minutes of historic meetings.

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

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

I note that the non-confidential supporting papers are published on the council website alongside agendas which is in accordance with the requirements of the Information Commissioner's Office.

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

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

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

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council on 21 May 2024 (minute ref 9)

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

Financial Regulations were reviewed and adopted by council on 21 May 2024 (minute ref 9) based on the older NALC model, with a view to adopting the new model version within a few months, as they had only recently been published at that point.

The new model were adopted at the July council meeting subject to a review of the regulations relating to the use of credit and debit cards. This has been completed at the most recent Finance meeting and the new regulations will be added to the council website.

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

This area was the focus for the first interim visit with checks completed on awarded contracts and tenders and those currently being advertised.

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

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

FR 11.1.(h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are

excepted as set out in paragraph (a) the Clerk or RFO shall obtain three quotations (priced descriptions of the proposed supply) where the value is not less than £10,000; where the value is below £10,000 and above £2,500 the Clerk or RFO shall strive to obtain three estimates. Otherwise, Regulation 10.3 above shall apply.

I was presented with a copy of the procurement plan for both the Town Hall and Marina Theatre. These are both multi-million pound projects for the council.

These plans follow a defined format and include clear information on the anticipated value of the project, the Project Manager, Responsible Senior Officer, Procurement Officer and Contract Manager for each project.

The plan then proceeds to provide a description of the project, the business objectives, procurement risks, procurement route recommendations, timescales of the events within the plan, resources required and contract particulars, ending with a check list of items for consideration as part of each project.

These documents provide a clear and concise summary of the plans for each project and confirm due consideration has been given to relevant matters as part of the process.

The council website provides detailed information about each of the projects and includes the tender opportunities as the various stages of the project has progressed. Additionally, a review of the government Contract Finder website confirms that the publication rules relating to public sector procurement are being followed, and can be confirmed via the link to Marina Theatre opportunity available [here](#).

The council has established committees and sub-committees for each of the projects, with agendas and minutes for the meetings published on the council website and available for public scrutiny. This published information includes detailed summaries of the funding sources for the projects, which include a combination of grant funding, borrowing, support from the District Council and use of existing Town Council funds.

Through reviews of the council website Contract Finder website and minutes and meeting papers, I was able to follow the process followed by the council from the early stages of a project through the steps involved in advertising and awarding the contract elements.

The following of published contract, tender and procurement rules is paramount in demonstrating that councils are giving due consideration when awarding business using public funds. The processes that Lowestoft Town Council has in place demonstrate this, and should provide assurances to councillors, officers and residents that decision making is following the correct procedure when allocating public funds to large projects.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £10.81 per elector

The council confirmed its eligibility and adopted the General Power of Competence (GPC) and the section 137 threshold does not apply.

Check receipt of VAT refund matches last submitted VAT return

The council submits its VAT return on a quarterly basis. I reviewed the submission for the period ending 30 June 2024 which showed a refund amount due of £152,364.43 and was fully supported by the required details. I was able to confirm receipt of this amount (plus accrued interest) to the council's bank account on 13 August 2024. The council is up to date with its VAT submissions.

Confirm that checks of the accounts are made by a councillor

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

D. BUDGET, PRECEPT AND RESERVES

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Audit findings

The council set a precept of £2,090,222 for 2024/25. With a tax base of 13,032.8, this equates to a band D equivalent of £160.38 (compared to the average in England of £85.89).

The Finance and Information Officer confirmed that the council has in place a process for agreeing the budget and precept for 2025/26. This includes each committee and sub-committee with an allocated budget reviewing and determining any required spending, prior to this information being collated and reviewed initially by the Budget and Loan Working Group before a recommendation is made by the Finance Committee to Full Council.

It is anticipated that the council will then agree the final budget and precept requirement at either the December 2024 or January 2025 meeting, which is within the statutory deadline for submitting the precept request to the District Council.

A review of the minutes published on the council's website shows that regular reviews of budget performance are conducted throughout the year and councillors well-informed of the council's overall financial position.

The accounting system balance sheet shows that at the date of the interim audit, the council held circa £1,580,000 in earmarked reserves (EMR) spread across a wide range of clearly defined council projects and facilities. The stated general reserve balance at the interim audit date is £585,247.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide 2024 provides updated guidance on the appropriate level of general reserves that councils should retain as below:

5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

5.35. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.37. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

The council has an adopted Reserves Policy, which is published on the council's website. Within the policy is the stated aim:

6.1 The Council is working towards achieving a target level of general reserves on a two-stage basis. As a first step: to achieve a target reserve no less than the equivalent of four months' worth of precept for that particular year. As the ultimate target: to achieve a target reserve no less than the equivalent of six months' worth of precept for that particular year.

The current general reserve balance is within the JPAG guidance and equates to below the 4 months' worth of precept as per the council's published Reserves Policy and should be kept under review. A further review of the reserves will be conducted at the final audit.

E. INCOME

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

F. PETTY CASH

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for Friday 17 January 2025.

J. YEAR END ACCOUNTS**Internal audit requirement**

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Audit findings

Testing to be conducted at final interim audit.

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

IF the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023/24 AGAR tick “not covered”)

Audit findings

The council did not certify itself exempt in 2023/24 due to exceeding the income and expenditure limits and this test does not apply.

L: PUBLICATION OF INFORMATION**Internal audit requirement**

The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation

Audit findings

Testing to be conducted at final interim audit.

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

The authority has demonstrated that during summer 2024 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2023/24 Actual
Date AGAR signed by council	25 June 2024
Date inspection notice issued	26 June 2024
Inspection period begins	27 June 2024
Inspection period ends	7 August 2024
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

I am satisfied the requirements of this control objective were met for 2023/24, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2023/24. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2024 authorities must publish:

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited*
- *Section 1 - Annual Governance Statement 2023/24, approved and signed, page 4*
- *Section 2 - Accounting Statements 2023/24, approved and signed, page 5*

Not later than 30 September 2024 authorities must publish:

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

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

Audit findings

Testing to be conducted at final interim audit.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

To be tested at the second interim audit scheduled for 17 January 2025.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives to date are summarised in the table below. Confirmation of continued compliance will be conducted at the final internal audit, with testing of internal control objectives J, L and N also completed at that visit.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	To be tested at second interim audit		
B	This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	To be tested at second interim audit		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	To be tested at second interim audit		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	To be tested at second interim audit		
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	To be tested at second interim audit		
H	Asset and investments registers were complete and accurate and properly maintained.	To be tested at second interim audit		
I	Periodic bank account reconciliations were properly carried out during the year.	To be tested at second interim audit		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	To be tested at final internal audit		
K	If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")</i>			✓
L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	To be tested at final internal audit		
M	The authority, during the previous year (2023/24) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).</i>	✓		
N	The authority has complied with the publication requirements for 2023/24 AGAR.	To be tested at final internal audit		
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.	To be tested at second interim audit		

Should you have any queries please do not hesitate to contact me.

Yours sincerely



Andy Beams
Mulberry Local Authority Services Ltd

Interim Audit - Points Carried Forward

Audit Point	Interim Audit Findings	Council comments
None		