



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

4 February 2025

Dear Sarah

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

Executive summary

Following completion of our second interim internal audit on 4 February 2025 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 the first interim visit having taken place on 16 September 2024. This second visit focuses on internal control objectives C (Risk Management and Insurance), E (Income), F (Petty Cash), G (Payroll), H (Assets and Investments), I (Bank and Cash) and O (Trusteeship). Previous testing was conducted at the first interim visit, with conclusions contained in the report, and the remainder of testing forms part of the final internal audit.

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. **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.

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A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

The audit was conducted on site with the requested information provided by the Finance Manager. Other information was reviewed through discussion with the Finance Manager and a review of the council website

www.lowestofttowncouncil.gov.uk

The council uses the Rialtas Business Solutions (RBS) accounting package for recording the council's finances. This is an industry specific accounting package. The accounting package is updated regularly and used to produce management information reports for review at council meetings. The Finance Manager is an experienced user of the system, understands the processing and reporting capabilities of the accounting package and accounting records are neatly and accurately maintained.

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

Testing completed at first interim visit on 16 September 2024.

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

The council's adopted Financial Regulations include a section covering Risk Management and state:

FR 2.1 The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.

FR 2.2 The Clerk shall prepare, for approval by the council, a risk management policy covering all activities of the council. This policy and consequential risk management arrangements shall be reviewed by the council at least annually.

FR 2.3 When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration by the council.

FR 2.4 At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement, which shall be in accordance with proper practices.

The council has a Corporate Risk Management Policy which is published on the council website and was most recently reviewed and agreed by council at the meeting held on 21 May 2024 (minute ref 10). In addition to the core policy, there is a statement of internal controls and a risk register noting the council's risk management approach in these areas.

The policy contains details of the council's approach to risk management and the organisational arrangements for managing the risks. It also contains criteria for rating risk through a risk matrix, which considers the relative likelihood of an occurrence and then the financial, reputational, health and safety, and legal/regulatory impact of each potential incident.

The statement of internal control details the scope of responsibility and purpose of internal control systems, including the internal control environment created by the Town Council and concludes with a review of the effectiveness of the internal controls adopted.

The risk register identifies specific risks, assesses their likelihood and impact using the risk matrix to calculate an overall risk rating, details the mitigation controls in place, the timeframe for action and the responsible officer for each risk.

This is a thorough approach and includes analysis of all risks typically associated with a council of this size with its range of services and facilities. It is clear that the council takes risk management seriously and ensures that appropriate steps are taken to address any newly identified risks related to council projects.

I confirmed that the council has a valid insurance policy in place with Zurich Insurance in a long-term agreement expiring in April 2026. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee level of £5 million which is sufficient for a council of this size.

I checked the premises listed within the insurance and compared this to the asset register listing council owned properties. I was able to confirm all buildings listed on the asset register are included on the insurance documents.

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

Testing completed at first interim visit on 16 September 2024.

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

The precept accounts for most of the Town Council's budgeted income, with other budgeted income sources from property lettings and an income from the allotment association. From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

I reviewed the sales and purchase ledgers with the Finance Manager. Neither has any significantly overdue amounts, and for each entry showing as overdue the Finance Manager was aware of the circumstances and measures are in place to rectify the position. For a council of this size, this demonstrates there are good credit controls in place.

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

The council maintains a small petty cash float, although usage is minimal as key management staff members have council cards to use where required.

The petty cash tin contained £19.50 during my interim audit visit and a petty cash record receipt book is kept recording entries. There have been no entries to date for the current financial year.

The amount of the petty cash is inconsequential to the overall financial position of the council, and I am satisfied that the council has in place sufficient safeguards to manage petty cash transactions.

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

The council has 24 employees, all of whom have signed contracts of employment, with newer employees contracts based on updated versions provided by the council's HR advisors. Staff members are paid in accordance with the NJC salary scale, with the NJC back-dated pay rise included in the November salary payments. Eligible employees are enrolled in the Local Government Pension Scheme (LGPS).

Payroll is now processed in house using IRIS. I reviewed the payroll summaries and payslips with the Finance Manager and was able to confirm HMRC and pensions payments are up to date and that the council is correctly not claiming the employment allowance for national insurance contributions.

There are no councillor allowances.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register in place. This is currently maintained in a tabular Excel format, although the council is in the process of moving to a new system. The asset register includes a summary page of each council department, then detailed pages for each area which includes information on each individual asset, its location, date of acquisition, acquisition cost, insurance value and reference details. More detailed information including title numbers is maintained on the land and buildings page.

This is a detailed register and is an appropriate method of recording assets for a council of this size.

Assets are correctly listed at original net cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register.

The register has been updated with new acquisitions this year, and I confirmed by sample testing of the invoice that items added have been accurately recorded at the original net purchase price.

The council has borrowing through the Public Works Loan Board (PWLB) and a check of the year-end balances and confirmation of yearly payments will be conducted at the final internal audit.

The council has no long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Financial Regulation 2.7 states 'At least once in each quarter, and at each financial year end, an appointed member other than the Chair or payment signatory, shall verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity, including any exceptions, shall be reported to and noted by the Finance and Governance Committee.'

Bank reconciliations are completed monthly. I reviewed the bank reconciliations for September 2024 and was able to confirm the balances to the bank statements and found no errors. The reconciliation and accompanying bank statements have been signed in accordance with the requirements of FR 2.7 (although the bank statements are undated) and there is evidence within the minutes of the Finance and Governance Committee meetings of the bank reconciliations being reported to council.

I also checked the December 2024 bank reconciliation (yet to be verified by a councillor) and was again able to confirm the balances to the bank statements and found no errors.

Due to the size of the council's budget, it is not covered by the Financial Services Compensation Scheme (FSCS).

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

The council is the trustee of the Frank Thomas Arnold for a Park or Recreation Ground trust (charity commission number 304785).

A review of the Charity Commission website shows that the council is correctly listed as the sole trustee and all reporting is up to date, with the Annual Return for the period ending 31 March 2024 submitted on 4 November 2024.

As the turnover of the trust is below £25,000, there is no requirement for an independent examination of the trust accounts.

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	N/A
A	Appropriate accounting records have been properly kept throughout the financial year	✓		
B	This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	✓		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	✓		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	✓		
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H	Asset and investments registers were complete and accurate and properly maintained.	✓		
I	Periodic bank account reconciliations were properly carried out during the year.	✓		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	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.	✓		

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

Yours sincerely



Andy Beams
Mulberry Local Authority Services Ltd

Second Interim Audit - Points Carried Forward

Audit Point	Interim Audit Findings	Council comments
None		