**UPPINHAM TOWN COUNCIL**

**INTERNAL AUDIT REPORT 2023/24 – SUPPLEMENTARY SHEET**

The full-time clerk went on long term sick in February 2024 and subsequently resigned so was not available to assist and resolve queries. A locum clerk was appointed on a part time basis on 18th March after several weeks of there being no clerk at the Council. The locum clerk had no involvement prior to his engagement and due to the limited time available to him has spent most of his time clearing any urgent backlog.

**Internal Audit Control Objective B**

* The financial regulations require that the Council issues a formal order or letter for all goods and services unless a formal contract is to be prepared or an order would not be appropriate. In the sample tested, no orders were found to be present. This has been reported to Council.
* In the sample selected for testing there was no physical evidence that the invoices had been approved prior to payment, either by way of a stamp or signature on the invoices.
* The Financial Regulations (Section 5.2) require that the Clerk prepares a schedule of payments requiring authorisation, forming part of the agenda, and that together with the invoices it is presented to Council.

Between October 2023 and January 2024, there is evidence that some payments have been presented to Council and there are some schedules detailing BACS payments. However, the schedules included in the minutes file have not been signed and in a number of cases the amounts minuted as approved did not agree to the list of payments in the minute file. There is no reference to the approval of invoices.

There is however a system of multi-authorisation before any BACS payments can be released.

**Internal Audit Control Objective C**

* The Council has a detailed Financial Management and Risk Assessment document supported by a number of policies and documents, including but not limited to:

Financial Regulations

Standing Orders

Health and Safety Policy

Investment Policy

Reserves Policy

Data Protection

The Council now engages the services of specialist H&S consultants.

* The minutes indicate that the Financial Management and Risk Assessment document has been reviewed and adopted in May 2023, but on review of the document no changes have been made to the previous version and the following points to note still remain:
* The bank and banking section only makes reference to cheque payments and does not include risks associated with BACS/online transactions.
* The direct costs, overheads and expenses section refers only to the process of cheque payments and does not include online transactions.
* Salaries and associated costs has been assessed on the assumption that payroll is completed ‘in house’. The risks associated with outsourcing have not been assessed.
* There is evidence of review of the Standing Orders and Financial Regulations. However when testing payments, there is no evidence that invoices have been authorised prior to payment being made.
* The Annual Investment Policy and Investment Strategy documents state that a review should take place before the start of each year. There was no evidence of review at all during 2023/24. The opening balances were quoted as being in excess of £400,000 when in fact they were £158,045.
* There is no evidence of review of the Investment Policy
* The Clerk went on long term sick in February 2024 and subsequently resigned. The Council has secured the temporary services of a locum clerk on a part time basis but there was no formal continuity plan in place.
* In May 2023 the agenda included review and adoption of a number of policies, all of which were minuted as adopted but it is unclear what if any changes were made to the policies prior to adoption.

**Internal Audit Control Objective G**

Payroll is outsourced to Rutland County Council (RCC) for processing. A payroll schedule was provided from RCC and payroll rates and calculations were tested.

Testing provided assurance that staff are paid at the correct rates and all calculations are correct, therefore the test has been met.

However, in the process of payroll testing the following was noted and is reflected in the ‘no’ response to Internal Audit Control Objective J.

* Payroll costs per the accounts and AGAR were reconciled to the payroll schedule provided by RCC. Payroll costs in the accounts are understated by £2,241.10 as a result of a processing error for the quarter 2 invoice from RCC.

The invoice was for a total of £13,603.80 being £13,577.60 net (actual payroll costs) and £26.20 VAT but it was entered into the system as £11,336 net (payroll costs) and £2,267.30 VAT hence the understatement of payroll costs. This also resulted in the VAT reclaim being incorrect.

**Internal Audit Control Objective J**

A council of this size must prepare accounts on an income and expenditure basis. As a result of the staffing changes the following points were noted:

* Up to January 2024 the sales and purchase ledger functions were used in Rialtas. Debtor and Creditor lists were therefore produced on a regular basis. Since the departure of the clerk these are no longer used and due to time constraints the locum clerk has reverted to a receipts and payments basis.
* There is no evidence that the list of sales ledger balances has been reviewed for old/unrecoverable debts. A number of balances remain outstanding from the previous year.
* No provision has been made in the accounts for market rent and hall hire invoices raised in February and March 2024 which remained unpaid at the year end.
* It was noted that three of the balances on the purchase ledger balances are still outstanding from the previous year. On further investigation, it was found that these invoices had been processed again in 2023/24 resulting in expenses being overstated.
* Sundry debtors have not been reviewed and as a result balances have been incorrectly included which relate to 2022/23.
* No prepayments have been calculated.
* Sundry creditors provided by the locum clerk include an invoice in respect of the retention for the toilet refurbishment from Metcalf. This was provided for in 2022/23 and has been brought forward so is therefore duplicated.

At the year end, the above errors together with the payroll difference has resulted in an understatement of reserves amounting to £14,977 and an overstatement of the VAT debtor amounting to £3,812.45

**Internal Audit Control Objective M**

Whilst The Notice of Public Rights and Publication of Unaudited Annual Governance & Accountability Return in respect of the 2022/23 allowed for the required 30 day inspection period, the notice was published prior to the meeting in which the AGAR was approved. In addition to this the AGAR was not approved until after 30 June 2023.