



ISSUES ARISING REPORT FOR
Alton Town Council
Audit for the year ended 31 March 2014

Introduction

The following matters have been raised to draw items to the attention of Alton Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2014.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Reserves
-

The following issue(s) have been raised to assist the council. The council is recommended to take action on the following issue(s) to ensure that the council acts within its statutory and regulatory framework.

Reserves

What is the issue?

The reserves held by the Council are negative.

Why has this issue been raised?

The Council, according to Proper Practices, should be holding between 3 and 12 months expenditure in its reserves.

What do we recommend you do?

We would recommend that the Council review its level of income and expenditure during the current year and ensure that the reserves are built up to the recommended levels as soon as possible.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability for Local Councils in Wales - A Practitioners' Guide, OVW/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 16 September 2014

ALAN J. HARLAND FCA
Accounting and Advisory Services

380 WOKINGHAM ROAD, EARLEY, READING, BERKSHIRE RG6 7HX
TELEPHONE: 0118 926 2910 MOBILE: 07801 374338 E-MAIL: alan.harlandI@btinternet.com

Mr S Parkinson
Clerk to Alton Town Council
Town Hall
Market Square
Alton
Hampshire
GU34 1HD

30 May 2014

Dear Steve

Internal audit, year ended 31 March 2014

Following my recent visit and completion of the testing over the past couple of days, I confirm that I have finished my review of the draft financial statements, and I have agreed the numbers for the statutory accounts to be included on the annual return. Whilst there are no additional matters arising from my review of the financial statements, there are some matters that I raised in my systems letter dated 13 March which should be a priority for the Council over the present financial year.

1. I am pleased to see that a replacement Finance Officer has recently been appointed, but without prior experience of the RBS *Omega* accounting and bookings systems. The Officer will obviously need ongoing support in mastering the operational functions of *Omega*, and she should also be encouraged to take a more proactive role than her predecessor on financial matters generally.
2. The data security weaknesses and operational inefficiencies on bookings at the Assembly Rooms inherent in the present arrangements would largely be eliminated by extending the Bookings system to include the Assembly Rooms.
3. I noted that the running cost of the Assembly Rooms was high in relation to revenue and other community halls, and I recommended that the staffing model should be considered more closely.
4. The Council's accounts at 31 March 2014 show negative reserves of £18,695, comprising £62,921 adverse revenue balances offset by £44,226 capital receipts which are restricted to use in funding capital expenditure. The Council will need to build up its revenue reserves significantly, over a period of years, to provide an adequate margin of cover against possible loss of rental and lettings income. The current year's budgeted surplus of £48,760 would eliminate the deficit at 31 March 2014, and projected annual surpluses of £40-50,000 for the following three years would build up reserves. Whilst the Council should consider suitable levels of earmarked reserves and general funds, experience elsewhere suggests that a minimum of £250,000 on general funds (equivalent to some 3

months' expenditure) should be a minimum for a local council with some 40% of its annual income from external charges rather than the precept.

5. As a reminder, the VAT partial exemption calculations will need to be completed for the record. You are not expecting the de minimis to be exceeded.

* * * * *

I confirm that provided that the annual return is approved with the agreed numbers and the Council's responses on the annual governance statement in section 2 are affirmative, then my internal auditor's report on the return will be unqualified.

Yours sincerely



Alan Harland