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19 March, 2021

The Town Clerk

Alton Town Council

Town Hall

Market Square

Alton, Hants

GU34 1HD

Dear Leah

Third Interim Internal Audit Report

Alton Town Council – October 2020 to February 2021

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
We confirm that we are independent of the Council.

The internal audit work to be carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2020-21 Annual Governance and Accountability Annual Return (AGAR).

We have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2020
- The Accounts and Audit (England) Regulations 2015 (as amended).

Background
A second interim internal audit review was carried out on the Monday 12 October 2020. An interim report from this review highlighted some good practice points and matters to be brought to the attention of the Council.
This third review has checked that the good practice points continue to be used by the Council. At this review we agreed to continue to test practices operated by Council.

The Council is not a sole managing trustee.

It is good practice for the Council to comply with the Local Government Transparency Code Regulation 2015.

The Council's accounting records are maintained on RBS Omega Software

The Council Offices continue to remain closed to the general public. However, it continues to retain full functionality.

The Council have approved a Covid 19 risk assessment which is reviewed on a regular basis. It provides for a framework that allows staff to be able to work from home. An additional letter confirmation has been provided to staff that complements their contracts of employment to indicate that the chosen place of work can be flexible between working from home or designated as the Town Council Offices.

These arrangements will be reviewed each year and will be form part of the performance management process to ensure staff member can demonstrate in practice the flexibility required for homeworking. It will also be considered as part of reviewing the most efficient and effective use of their resources for the Council. (***Audit Note: We suggest that these arrangements should also be reviewed when considering further guidance provided from NALC once the temporary Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (The Regulations) legislation outcome is known).***

It was agreed with the Town Clerk that the third interim internal audit review should be carried out remotely on Monday 15 March 2021.

Consultations have continued with the Town Clerk, Finance and Administration Manager and the Assistant to the Town Clerk by video link and telephone conference calls and the Assistant to the Town Clerk provided the back-up information from RBS Omega software. We have used the financial back-up information for the period September 2020 to February 2021 to check the current governance and financial management position of the Council.

Further confirmation has been obtained of good practice and compliance with the Transparency Code Regulation 2015 from the Council's website.

We are pleased to report that the Town Clerk had provided relevant updated information to keep the Council aware of the current budgetary position during the first three quarters of the financial year 2020/2021. We have also noted the extensive review and due diligence carried out to produce the budget report to Council when identifying the Precept setting that would sustain the Council's services in 2021/2022.

We have noted that the Council have carefully considered its budget and Precept setting for 2021/2022. We have noted that there have been changes in the Eat Hants District Council tax base calculations for 2021/2022 that affect the Council's Tax Band D position, but the final budget agreed by the Council will support the current level of service provision for 2021/2022.

We continue to note the Council's support for local businesses through the Resilience Fund which has proved valuable to the Local Traders and Community.

We have also noted since the previous interim review that new tenants have commenced using the properties owned by the Council which had been vacated in the period July to September 2020.
We checked to see that the Lease details were signed and dated for the new tenant:

- 13 Market Square – The Twisted Teacup moved in from 4t September 2021.

Internal audit checks
We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures, and insurance documentation to ascertain the efficiency and effectiveness of the Town Council's internal control framework. This internal audit report is based on the audit testing carried out at the review.

During this review we checked a sample of the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Petty Cash
- Budgetary Management
- Income and expenditure
- Payroll
- VAT claims
- Covid 19 arrangements
- Transparency of the Council website

Findings

Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council continues to maintain its books and records on RBS Omega Software.
- Staff remain aware of the requirements of GDPR
- The Council is registered with the ICO.
- Details of total payments authorised at meetings are recorded in the Minutes.
- All income records including cash and cheque transactions are appropriate and recorded correctly
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- Petty cash is maintained, recorded, and approved appropriately.
- All records continue to be up to date and easy to follow.
- The Council take an active scrutiny role.
- The Council continue to maintain a long-term investment position.
- The budgeting process is detailed, thorough and monitored throughout the year.

- Bank reconciliations are carried out promptly each month and were accurate.
- VAT claims continue to be submitted to HMRC on a regular basis.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions.
- Sales Invoices are raised when appropriate to record income due to the Council.
- The Council's website continues to meet the requirements of the Transparency Code Regulation 2015.

Recommendations

- There are no formal recommendations made from this third interim internal audit visit.

Other matters of note brought to the Council's attention

- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2020 so we are able to answer "Yes" to Objective M on the Internal Audit Report (AGAR) for 2020/2021.
- The information supplied in the letter to Town and Parish Councils from the Chairman of JPAG (an email was sent to the Parish Clerk prior to the audit visit) relating to the Website Accessibility Regulation 2018 has been implemented by the Town Council to comply with the regulations. ***(Audit Note: It is recommended that the Accessibility Statement records that scanned pdf documents do not comply with the Accessibility Regulation, but these documents can be provided in an alternative format or on alternative media, on request).***
- We continue to note that the Minutes of the Council and Policy and Resources Committee since October 2020 have yet to be signed by the Chairman for the financial year 2020/21 due to meeting remotely. ***(Audit Note: We continue to recommend that the Chairman should also sign and date the bank reconciliations for the third quarter to confirm that bank reconciliations have been carried out accurately as part of Town Council scrutiny role).***
- The Council has remained active during the Covid 19 pandemic to support local organisations and community groups who require help and support. The Council are providing resilience funding although this does not form part of the Councils normal income streams as money held is on behalf of support group. We have agreed with the Assistant to the Town Clerk these sums will not form part of the income to be recorded in Box 3 on the Accounting Statements of AGAR 2020/2021 and will be deducted from the total income recorded in the RBS Omega software showing the end of year figures for 2020/2021.
- We have also agreed with the Town Clerk and Assistant to the Town Clerk that the financial risks for 2021/2022 should be updated. The likelihood of further potential loss of income requires a review of the Earmarked Reserves to ensure the financial health of the Council is sound. (***Audit Note: The Council should review its Reserves to check if it is viable to sustain projects earmarked for 2021/2022).***
- The Council have recently confirmed a commitment to create a carbon neutral estate by 2030 as well as progressing projects which seek to encourage activity and improve mental wellbeing and physical exercise. It is suggested the Council consider this commitment as part of the review of its Reserves. (***Audit Note: It is our opinion that the Council should budget for these commitments as part of the Earmarked Reserves programme rather than seek additional loan funding which will has a long-term repayment programme).***

Conclusion

Based on the tests we have carried out at this interim internal audit visit, in our view, the internal control procedures in operation are appropriate to meet the needs of Alton Town Council.

Next visit

The next internal audit visit has been arranged for **Friday 16 April 2021**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- VAT claims
- Asset Register
- End of Year Procedures

Next Steps

This report should be noted and taken to the next meeting of the Town Council.

Tim Light FMAAT and Paul Reynolds FMAAT
Internal auditors