



POOLE CHARTER TRUSTEES 2020/21

Internal Audit

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A. Executive Summary

The control framework is the system of risk management, internal control and governance put in place by management to ensure that objectives are achieved, waste and inefficiency is minimised and to prevent and detect fraud and corruption.

The objectives of the audit were to provide assurance that the control framework is appropriate and that the controls and processes are operating effectively in the Bournemouth & Poole Charter Trustees as outlined in the Annual Governance & Accountability Return (AGAR) 2020/21 for the internal control objectives detailed on the following page.

For the avoidance of doubt, reference in this paper to Charter Trustee is to be interpreted as reference to the Charter Trustee body.

Where weaknesses in the control framework are identified, recommendations have been made for improvement and are detailed in Section B of this report.

It should be noted that whilst Bournemouth and Poole Charter Trustees are separate entities from each other as well as separate from BCP Council, the issues identified apply to both Trustees and so one single report has been written.

Following the 2019/20 Internal Report, a great deal of work has been undertaken to implement recommendations. Due to timing issues, some results have not been in place for all or part of the 2020/21 financial year, which is reflected in the internal control opinion and the AGAR. The AGAR requires an opinion to be given on the controls in place during the financial year, not specifically as at the time of the audit.

We undertake our work on a risk and sample basis in line with Public Sector Internal Audit Standards and as such we do not test all internal controls nor identify all areas of control weakness, fraud or irregularity, however, any issues identified during the course of our work are reported to management.

Audit Opinions:	
Substantial Assurance	Controls were in place for the full financial year and were operating consistently and effectively. There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable Assurance	Controls were in place for the full financial year and were generally operating effectively. Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial Assurance	Controls were only operating effectively for part of the financial year. There are weaknesses in the control framework which are putting service objectives at risk.
Minimal Assurance	Controls were not operating during the financial year. The control framework is generally poor as such service objectives are at significant risk.

AGAR Internal Control Objective	2020/21 Internal Audit Opinion on the operation of the control framework throughout the financial year	2020/21 AGAR opinion	2020/21 recommendations made
Appropriate accounting records have been properly kept throughout the financial year	Substantial	Yes	None
The Trustee complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for	Reasonable	Yes	1 Medium 2 Low
The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	Partial	No	None
The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	Substantial	Yes	None
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	Substantial	Yes	None
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	Not applicable	N/A	N/A
Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied	Substantial	Yes	None
Asset and investments registers were complete and accurate and properly maintained	Reasonable	Yes	None
Periodic and year-end bank account reconciliations were properly carried out	Substantial	Yes	None
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	Not applicable	N/A	N/A
If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt	Not applicable	N/A	N/A
The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations	Substantial	Yes	None
Trustee funds (including charitable) – The council met its responsibilities as a trustee	Not applicable	N/A	N/A
Internal Control Objectives outside the AGAR requirements			
Other issues – Consideration of Service Level Agreement			1 Low
Total recommendations			4

Summary of Findings:	
High Priority	
None identified	
Medium Priority	
<u>Expenditure:</u> Evidence was not provided for all credit card transactions	
Low Priority	
<u>Expenditure:</u> Not all expenditure relates to the current financial year and accruals have not been in place	
<u>Budget signatories:</u> Roles and responsibilities are not included in the Charter Trustees' Standing Orders	
<u>Other Issues:</u> No service level agreement between BCP Council and the Charter Trustees has been put in place.	

Recommendation Priority Ratings:	
High Priority	High Priority recommendations have actual / potential critical implications for the achievement of the Charter Trustee's objectives and/or a major effect on delivery. Agreed actions should be urgently implemented by the Charter Trustee and the associated risk(s) added to the Charter Trustee Risk Register. Recommendations will be followed-up by Internal Audit as part of the next audit review.
Medium Priority	Medium Priority recommendations have actual / potential significant implications for the achievement of the Charter Trustee's objectives and/or a significant effect on delivery. Agreed actions should be implemented by the Charter Trustee and formal consideration should be given to adding the associated risk(s) to the Charter Trustee Risk Register. Recommendations will be followed-up by Internal Audit as part of the next audit review.
Low Priority	Low Priority recommendations have actual / potential minor implications for achievement of the Charter Trustee's objectives and/or a minor effect on delivery. Recommendations will be followed-up by Internal Audit as part of the next audit review.

B. Findings & Recommendations

Rec No.	Finding	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
1. Appropriate accounting records have been properly kept throughout the financial year					Substantial	
The Charter Trustees use BCP Council's financial management system, Oracle Fusion, to record transactions. Each Trustee has an individual cost centre to ensure that the transactions of the Trustee are clearly identifiable and separate from those of the Council.						
2. The Trustee complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for					Reasonable	
R1	<p>Credit Card</p> <p>Issue: The corporate credit card returns did not always contain appropriate evidence, which is a requirement of the Charter Trustee Financial Regulations. As a result of this VAT could not be reclaimed on these transactions.</p> <p>Risk: The Charter Trustees do not have an effective system of control over credit card expenditure</p>	<p>It is recommended that all credit card transactional evidence is provided with the returns to support VAT to be reclaimed</p>	Medium	All credit card transaction must include appropriate evidence.	Deputy Head of Democratic Services	Immediate effect
R2	<p>Accruals</p> <p>Issue: The list of 2020/21 financial transactions for each Trust includes ones that relate to the 2019/20 financial year which were not accrued for. Whilst these are not material (£263 in total for Bournemouth Charter Trustees, £838 in total for Poole Charter Trustees), they do not relate to the current financial year. This is not in line with good accounting practice.</p> <p>Risk: The Charter Trustee financial statements are incorrect and do not comply with good accounting practice</p>	<p>It is recommended that financial transactions are reviewed before and after the financial year end to ensure that accruals are correctly raised</p>	Low	This issue has been raised and action taken to ensure compliance with the recommendation.	Deputy Head of Democratic Services	Effective for all financial years

Rec No.	Finding	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
R3	<p>Standing Orders</p> <p>Issue: Budget Signatory responsibilities were approved in the October 2020 meetings; however, they have not been included in the Charter Trustee standing orders.</p> <p>Risk: New budget signatories may not be aware of their responsibilities</p>	<p>It is recommended that Budget Signatory responsibilities are included in the Charter Trustee Standing Orders</p>	Low	The Responsibilities of the Budget Signatories have been agreed and will be included in the Charter Trustees as recommended	Deputy Head of Democratic Services	May 2021
<p>3. The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these</p>					<p>Partial</p>	
<p>The 2019/20 Internal Audit report recommended that the Charter Trustees should have their own risk registers. Work has progressed on this during 2020/21 and the Charter Trustees agreed risk registers at the meetings in January 2021, however the registers have not been in place throughout 2020/21.</p>						
<p>4. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate</p>					<p>Substantial</p>	
<p>The 2019/20 Internal Audit report recommended that the budget setting process for 2021/22 was reviewed and that Budget Signatories were involved in setting the budget. These have both been implemented during 2021/22, and as such Internal Audit are satisfied that the control objective has been met.</p>						
<p>5. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for</p>					<p>Substantial</p>	
<p>The main source of income for the Trustees is the annual precept. No other sources of income have been identified beyond Trustees repaying the Trustee for a luncheon at the Mayor Making Ceremonies. This is appropriate and as expected – the Trustees are not collecting income for charities, so there should be no other sources of income.</p>						
<p>6. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for</p>					<p>Not applicable</p>	
<p>The Trustees themselves do not have petty cash floats nor do any of the staff appointed by the Council to work on the trustees. The Council staff have access to payment cards which are included in the expenditure section above.</p>						
<p>7. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied</p>					<p>Substantial</p>	
<p>Trustees do not receive allowances for their role on the Charter Trusts. BCP Council's payroll system is subject to periodic review by Internal Audit.</p>						

Rec No.	Finding	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
<p>Issues for BCP Council: The 2019/20 Internal Audit report recommended that costs for all BCP Council employee time relating to the Trustees are recharged to the Trustees. This will not take place for 2020/21, however the reviewed budget setting process has taken this into account and costs will be fully recharged in 2021/22.</p>						
8. Asset and investments registers were complete and accurate and properly maintained					Reasonable	
<p>The 2019/20 Internal Audit report recommended that regular asset verification exercises are carried out, and this has been done during 2020/21.</p> <p>A further recommendation was raised relating to the reserves of the Trust being invested by the Council and any income from the interest. This has not been implemented during 2020/21, however this investment income has been included in the 2021/22 budget.</p>						
9. Periodic and year-end bank account reconciliations were properly carried out					Substantial	
<p>The Trusts do not have individual bank accounts – instead, their funds form part of BCP Council’s bank balance. Internal Audit has carried out work separately on this to confirm that bank reconciliations are carried out periodically throughout the year with no issues identified.</p>						
10. 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					Not applicable	
<p>Formal financial statements are only produced at year end, and these are considered by the external auditor as part of their annual audit process. In-year budget monitoring has been considered in section 4 of this report, and as such Internal Audit considers that this part of the Annual Internal Audit Report is not applicable to the Trustees.</p>						
11. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt					Not applicable	
<p>The Trustees did not certify themselves as exempt from a limited assurance review in 2019/20. Internal Audit considers this part of the Annual Internal Audit Report not to be applicable to the Trustees at this point in time.</p>						
12. The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations					Substantial	
<p>The Trustees have notices on the relevant sections of the BCP Council website advertising the public’s right to inspect the accounts for the 2019/20 accounting statements. Due to the current pandemic, these have been modified in accordance with the relevant guidance. As such, Internal Audit considers that there are no issues at this point in time within this control objective which need to be brought to the attention of the Trustees.</p>						

Rec No.	Finding	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
13. Trustee funds (including charitable) – The council met its responsibilities as a trustee					Not applicable	
BCP Council is not one of the Charter trustees but supports the Trusts in several ways.						
14. Other Issues - Consideration of Service Level Agreement						
R4	<p>Consideration of a Service Level Agreement</p> <p>Issue: The Service Level Agreement which was agreed in principle at the last audit has not yet been fully implemented.</p> <p>As part of the agreement for the 2021/22 budget there has been explanation for how recharges have been arrived at. For accountancy there is an implied level of service built into the recharges, however there is no such implicit breakdown for the salary costs.</p> <p>Risk: The Trustees may be paying for services they do not require or do not have the level of service needed to support the efficient operation of the Charter Trustees</p> <p>BCP Council Risk: <i>The Council is subsidising the Charter Trustees</i></p>	<p>It is recommended that Service Level Agreements or equivalents are put in place between the Council and the Trustees to formally set out what is being provided by the Council.</p>	Low	<p>The Service Level Agreements between the Council and the Trustees are currently being drafted. This will take account of the budget and recharges set for 2021/22.</p>	Deputy Head of Democratic Services	September 2021