



POOLE CHARTER TRUSTEES 2021/22

Internal Audit

Author: Jon Cockeram, Auditor
Ruth Hodges, Audit Manager

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Distribution: Richard Jones, Head of Democratic Services
Karen Tompkins, Deputy Head of Democratic Services
Matthew Filmer, Responsible Financial Officer
Graham Farrant, Honorary Clerk to the Charter Trustees
Poole Charter Trustees
Simon Milne, Audit Manager (Deputy CIA)
Nigel Stannard, Head of Audit & Management Assurance

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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 Poole Charter Trustees as outlined in the Annual Governance & Accountability Return (AGAR) 2021/22 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.

Of the four recommendations made in the 2020/21 audit report, three have been fully implemented and one remains outstanding as per recommendation 12 in this report.

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

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 | 2021/22 Internal Audit Opinion on the operation of the control framework throughout the financial year | 2021/22 AGAR opinion | 2021/22 recommendations made |
|--|---|----------------------------|---------------------------------|
| Appropriate accounting records have been properly kept throughout the financial year | Reasonable | Yes | 1 Low |
| The Trustee complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for | Partial | No | 3 Medium |
| The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these | Reasonable | Yes | 1 Medium |
| The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate | Partial | No | 1 Medium |
| 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 | N/A | Not covered | 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 | Partial | No | 1 High |
| Periodic and year-end bank account reconciliations were properly carried out | Reasonable | Yes | 1 Low |
| 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 | N/A | Not Covered | N/A |
| If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt | N/A | Not Covered | N/A |
| The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements | Reasonable | Yes | 1 Low |
| The authority, during the previous year (2020-21), correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations | Substantial | Yes | None |
| The authority has complied with the publication requirements for the 2020/21 AGAR | Substantial | Yes | None |
| Trustee funds (including charitable) – The council met its responsibilities as a trustee | N/A | Not Covered | N/A |
| Internal Control Objectives outside the AGAR requirements | | | |
| Other issues – Consideration of Service Level Agreement | | | 1 Medium |
| Total recommendations | | | 10 1 High, 6 Medium, 3 Low |

| Summary of Findings: | |
|---|--|
| High Priority | |
| <u>Assets</u> : No in-year asset verification exercise was carried out [R7]. | |
| Medium Priority | |
| <u>Fin Regs & Expenditure</u> : Budget Signatories do not sign off expenditure [R2], there is no process for demonstrating value for money has been obtained [R3], the remit of the Charter Trustees has not been specified [R4]. | |
| <u>Risks</u> : The Charter Trustees are operating under contingency Council insurance arrangements rather than having their own [R5]. | |
| <u>Precepts, budgets & reserves</u> : The Charter Trustees have a high level of reserves [R6]. | |
| <u>Other Issues</u> : There is no service level agreement between the Charter Trustees and the Council [R10]. | |
| Low Priority | |
| <u>Accounting records</u> : 2020/21 accruals did not have corresponding expenditure in-year [R1]. | |
| <u>Bank reconciliations</u> : Bank reconciliations have not been signed off in line with Financial Regulations [R8]. | |
| <u>Published information</u> : The Charter Trustee Financial Regulations are not published on the website [R9]. | |

| 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 | Agreed Actions | Priority | Responsible Officer | Target Date |
|---|---|--|---------------|-----------------------------|-------------|
| 1. Appropriate accounting records have been properly kept throughout the financial year | | | | Reasonable | |
| <p>The Charter Trustees use BCP Council's financial management system, Oracle Fusion, to record transactions. Prior to August 2021, transactions were recorded on individual cost centres within the BCP Council general ledger, however after this point individual ledgers for the Charter Trustees were set up. These were used throughout the remainder of the year, however some transactions at the end of the financial year were recorded on the cost centres within the BCP General Ledger instead of the individual Charter Trustee ledgers. Going forward only the Charter Trustee General Ledgers will be used and as such no recommendation has been raised.</p> | | | | | |
| R1 | <p>Year-end accruals</p> <p>Issue: As at the time of the audit, accruals for recharges for the 2020/21 financial year have not had matching expenditure during 2021/22.</p> <p>Risk: Budget monitoring and the year-end accounts are based on incorrect information.</p> | <p>All accruals for recharges made during one financial year will have corresponding entries in a timely manner in the following financial year.</p> <p><i>Comments: This was a result of moving the charter trustees to a new ledger. Going forward accruals will be offset in a timely fashion.</i></p> | Low | Responsible Finance Officer | April 2022 |
| 2. The Trustee complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for | | | | Partial | |
| R2 | <p>Financial Regulations and expenditure</p> <p>Issue: Per the Financial Regulations, those Charter Trustees with responsibilities for budgets (Budget Signatories) are supposed to be sent a quarterly list of expenditure to confirm that it is appropriate; however, this has not taken place during 2021/22.</p> <p>Risk: Inappropriate expenditure has been made.</p> | <p>The budget signatories will be sent a quarterly list of expenditure to authorise in line with the Financial Regulations.</p> <p><i>Comments: Will ensure this take place alongside the bank reconciliation sign off.</i></p> | Medium | Responsible Finance Officer | June 2022 |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|--|--|---|----------|-----------------------------|-------------|
| R3 | <p>Value for money</p> <p>Issue: The Charter Trustee Financial Regulations state that all expenditure above £100 should have three quotes or estimates. However, there is no process detailed for which estimate or quote should be selected to demonstrate best value for money.</p> <p>Risk: The Charter Trustees are not obtaining value for money.</p> | <p>The Charter Trustee Financial Regulations will be amended to include a process to evaluate quotes or estimates in order to demonstrate that the best value for money is obtained.</p> <p><i>Comments: A further report at the next meeting will look to amend the financial regulations as appropriate.</i></p> | Medium | Responsible Finance Officer | August 2022 |
| R4 | <p>Charter Trustee remit</p> <p>Issue: The Charter Trustee handbook states that “The Trust ensures the continuation of the civic, historic and ceremonial traditions of the former Borough...”, however it is unclear whether this allows for the Charter Trustees to support any new such as the decision to support an event in Broadstone in 2021/22.</p> <p>Risk: The Charter Trustees are not operating within their remit.</p> | <p>The scope of operation of the Charter Trustees will be clarified within the Handbook</p> <p><i>Comments: The following wording will be added to the handbook</i></p> <p><i>“... and new events which are not inconsistent with those traditions.”</i></p> | Medium | Head of Democratic Services | June 2022 |
| 3. The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these | | | | Reasonable | |
| R5 | <p>Insurance</p> <p>Issue: It is noted that the Charter Trustees are currently operating under contingency insurance arrangements as they have been unable to find an insurer willing to cover them as yet. This has been the case for</p> | <p>Appropriate insurance will be obtained for the Charter Trustees.</p> | Medium | Head of Democratic Services | Oct 2022 |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|---|---|---|----------------------|--|-----------------|
| | <p>the past three years, and the insurers could withdraw the contingency cover at any point.</p> <p>Risk: The Charter Trustees will not be appropriately insured.</p> | <p><i>Comments: The work to secure separate insurance cover is ongoing. Once further feedback is received from the current insurers, a report will be submitted to the Charter Trustees on next steps and provide assurance on the insurance arrangements.</i></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>Partial</p> | |
| <p>R6</p> | <p>Reserves</p> <p>Issue: The Charter Trustees currently have a high level of reserves, significantly higher than the 20% recommended by the Responsible Finance Officer. Meetings have been held to agree a way to manage the reserves, however no strategy to do so is in place as at the time of the audit.</p> <p>Risk: The Charter Trustees are levying a higher precept than required.</p> | <p>A reserves strategy, including links to precept, will be put in place to manage reserves whilst staying in line with the purpose and scope of the Charter Trustees.</p> <p><i>Comments: It is acknowledged that the activities of the Charter Trustees have been impacted by the Covid Pandemic. Whilst initial discussions regarding potential uses of reserves have been undertaken. It is proposed that a policy is agreed for future use of reserves consistent with the scope of the Charter Trustees.</i></p> | <p>Medium</p> | <p>Responsible Financial Officer and Head of Democratic Services</p> | <p>Oct 2022</p> |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|---|--|--|-------------|-----------------------------|-------------|
| 5. | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for | | | Substantial | |
| The income received by the Charter Trustees during 2021/22 has been the annual precept, and this has been appropriately received by the Charter Trustees. No issues with VAT have been identified from a review of the Charter Trustee transactions during 2021/22. | | | | | |
| 6. | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for | | | N/A | |
| 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. | | | | | |
| 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 | | | Substantial | |
| 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. | | | | | |
| 8. | Asset and investments registers were complete and accurate and properly maintained | | | Partial | |
| Asset registers are in place and include asset valuations, which are used to inform insurance schedules. Charter Trustee funds have been invested along with BCP Council funds, in line with Financial Regulations. The Charter Trustees will receive an appropriate amount of income based on the average investment return that BCP Council achieves, which is in line with Financial Regulations. | | | | | |
| R7 | Asset verification checks Issue: There has been no in-year verification check of Charter Trustee assets to confirm that they are still present. This is due to the ongoing accommodation changes the Poole Charter Trustees are experiencing; there are plans to do this in early 2022/23, however this does not provide assurance for the 2021/22 financial year that assets are still in place. Risk: Assets have been misappropriated. | Regular asset verification exercises will be carried out. <i>Comments: The verification will be undertaken in June 2022 when the assets are packed and relocated following the closure of the Poole Civic Centre. This would have previously been undertaken prior to the end of March but</i> | High | Head of Democratic Services | June 2022 |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|--|---|---|------------|-----------------------------|-------------|
| | | <i>the timing for the closure of the Civic Centre was altered.</i> | | | |
| 9. Periodic and year-end bank account reconciliations were properly carried out | | | | Reasonable | |
| R8 | <p>Bank reconciliations</p> <p>Issue: The Charter Trustee Financial Regulations state that a member of the Charter Trustees should sign off the bank reconciliations on a quarterly basis; however, this has not taken place during 2021/22.</p> <p>Risk: Charter Trustees are unaware of the balance in the bank account.</p> | <p>The Charter Trustees will sign off the bank reconciliations on a quarterly basis in line with Financial Regulations.</p> <p><i>Charter Trustees may wish to consider having this as a standing agenda item.</i></p> <p><i>Comments: Already caught up for 2021/22 and will ensure going forward bank reconciliations are on a quarterly basis</i></p> | Low | Responsible Finance Officer | June 2022 |
| 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 | | | | N/A | |
| 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. | | | | | |
| 11. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt | | | | N/A | |
| The Trustees did not certify themselves as exempt from a limited assurance review in 2020/21. Internal Audit considers this part of the Annual Internal Audit Report not to be applicable to the Trustees at this point in time. | | | | | |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|---|--|--|---------------|-----------------------------|-------------|
| 12. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements | | | | Reasonable | |
| R9 | <p>Financial Regulations</p> <p>Issue: The Charter Trustee Financial Regulations are not published on the Charter Trustee website.</p> <p>Risk: The Charter Trustees are not operating in a transparent manner.</p> | <p>The Charter Trustee Financial Regulations will be published on the Charter Trustee website.</p> <p><i>Comments: Whilst the Financial Regulations are on the website, they will be published with the Standing Orders, Handbook, and budget information for ease of access.</i></p> | Low | Head of Democratic Services | June 2022 |
| 13. The authority, during the previous year (2020-21), correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations | | | | Substantial | |
| The Trustees have notices on the relevant sections of the BCP Council website advertising the public's right to inspect the accounts for the 2020/21 accounting statements, as required by the Account and Audit regulations. | | | | | |
| 14. The authority has complied with the publication requirements for the 2020/21 AGAR | | | | Substantial | |
| All publication requirements have been complied with as published on the relevant parts of the BCP website. | | | | | |
| 15. Trustee funds (including charitable) – The council met its responsibilities as a trustee | | | | N/A | |
| BCP Council is not one of the Charter trustees but supports the Trusts in several ways. | | | | | |
| 16. Other Issues - Consideration of Service Level Agreement | | | | | |
| R10 | <p>Service Level Agreement</p> <p>Issue: There is still no Service Level Agreement in place between the Charter Trustees and BCP Council. This recommendation was raised in</p> | <p>Service Level Agreements or equivalents will be put in place between the Council and the Trustees to formally define their relationship and</p> | Medium | Head of Democratic Services | Oct 2022 |

| Rec No. | Finding | Agreed Actions | Priority | Responsible Officer | Target Date |
|---------|--|---|----------|---------------------|-------------|
| | <p>2020/21 and work to draft Service Level Agreements has been undertaken, but this has not been finalised as at the time of the audit.</p> <p>Risk: There is no clear separation between the Council and the Charter Trustees, which in turn may compound issues such as obtaining insurance arrangements.</p> <p>BCP Council Risk: The Council is subsidising the Charter Trustees</p> | <p>to set out what is being provided by the Council.</p> <p><i>Comments: There are draft SLAs which have been prepared. Further work is required to agree with relevant service areas prior to sign off.</i></p> | | | |