



POOLE CHARTER TRUSTEES 2022/23

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 Charter Trustees as outlined in the Annual Governance & Accountability Return (AGAR) 2022/23 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.

Ten recommendations were made in the 2021/22 audit report, the current status of these recommendations is shown in the table below:

	High	Medium	Low	Total
Implemented	1	2	3	6
Not Implemented		4		4
Total	1	6	3	10

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	2022/23 Internal Audit Opinion on the operation of the control framework throughout the financial year	2022/23 AGAR opinion	2022/23 recommendations made
Appropriate accounting records have been properly kept throughout the year.	Substantial	Yes	None
This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	Reasonable	Yes	3 Medium, 1 Low
This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Substantial	Yes	1 Low
The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Reasonable	Yes	1 Medium, 1 Low
Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT 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 the authority's approvals, and PAYE and NI requirements were properly applied	Substantial	Yes	None
Asset and investment registers were complete and accurate and properly maintained.	Substantial	Yes	1 Low
Periodic bank account reconciliations were properly carried out during the year.	Reasonable	Yes	1 Medium
Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, 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 the prior year, 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 / web page, up to date at the time of the internal audit in accordance with the relevant legislation	Reasonable	Yes	1 Medium
The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	Substantial	Yes	None
The authority complied with the publication requirements for the prior year AGAR.	Substantial	Yes	None
Trust funds (including charitable) - the Council met its responsibilities as a trustee. Trust 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 Low
Total recommendations			11 6 Medium, 5 Low

Summary of Findings:	
High Priority	
None to report.	
Medium Priority	
<p><u>Charter Trustee Remit</u>: The remit of Charter Trustees with regard to new activities is not clear (R1).</p> <p><u>Value for Money</u>: Financial Regulations does not detail how to evaluate estimates or quotes (R3); Reasons for not obtaining quotes or estimates not documented (R4).</p> <p><u>Reserves</u>: There are high levels of reserves (R6).</p> <p><u>Annual Governance and Accountability Return</u>: The cash and short-term investments value appears to have been mis-stated (R9).</p> <p><u>Publication Scheme</u>: Not all required items are published (R10).</p>	
Low Priority	
<p><u>Scheme of Delegation</u>: is not clearly published on the Charter Trustees website (R2).</p> <p><u>Insurance</u>: Excess levels may not be suitable (R5).</p> <p><u>Budget Monitoring – Recharges</u>: P-card expenditure and expenses are not included in in-year budget reports (R7).</p> <p><u>Asset verification checks</u>: Not all items were included in verification check (R8).</p> <p><u>Service Level Agreement</u>: Not in place (R11).</p>	

Recommendation Priority Ratings:	
High Priority	<p>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.</p>
Medium Priority	<p>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.</p>
Low Priority	<p>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.</p>

B. Findings & Recommendations

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
1.	Appropriate accounting records have been properly kept throughout the year					Substantial
The Charter Trustees use a separate ledger on the BCP Council's financial management system, Oracle Fusion. Balances have been rolled forward correctly.						
2.	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for					Reasonable
R1	<p>Charter Trustee remit</p> <p><u>2021/22 Internal Audit Report:</u></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 activities.</p> <p>Risk: The Charter Trustees are not operating within their remit.</p> <p><u>2022/23 Update</u> - it is understood that this is intended to be complete in June 2023 committee meeting.</p>	<p><i>The previous 2021/22 recommendation is reiterated:</i></p> <p>The scope of operation of the Charter Trustees will be clarified within the Handbook.</p>	Medium	The Charter Handbook is currently under review, and revisions to the Handbook will be submitted for consideration at the June 2023 meeting.	Neil Fraser	26/06/23
R2	<p>Scheme of Delegation</p> <p>Issue: The Scheme of Delegation is not clearly published on the Charter Trustee website</p> <p>Risk: Decisions are being made outside of the Scheme of Delegation</p>	<p>The Charter Trustees Scheme of Delegation is published on the Charter Trustees website.</p>	Low	The Charter Trustees Scheme of Delegation will be published on the Charter Trustees website.	Neil Fraser	01/07/23

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
R3 & R4	<p>Value for money</p> <p>Issue:</p> <p><u>2021/22 Internal Audit Report:</u></p> <p>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><u>2022/23 Internal Audit Report:</u></p> <p>Financial Regulation has not been updated to include a process detailed for which estimate or quote should be selected to demonstrate best value for money.</p> <p>In addition, for some expenditure 3 quotes or estimated had not been obtained due to specialist services being required. Whilst these appeared reasonable there was no documented explanations.</p> <p>Risk: The Charter Trustees are not obtaining value for money.</p>	<p><i>The previous 2021/22 recommendation is reiterated:</i></p> <p>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>A further recommendation for 2022/23 has been made:</p> <p>In instances where 3 quotes or estimates are not obtained on expenditure, this should be documented with reasonable explanations.</p>	Medium	We will look to update the financial regulations to set out the process and to ensure decisions are documented.	Matthew Filmer	01/09/23
3.	The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these				Substantial	
R5	<p>Insurance</p> <p>Issue: Mayoral assets are insured under the BCP Council 'All Risks' and Fine Art policy, however, the excess level may not be suitable for the Charter Trustees.</p> <p>Risk: Due to excess levels, insurance may not cover loss or damage to mayoral assets and this may need to be covered from reserves.</p>	Charter Trustees need to consider whether the BCP Policy and excess levels are appropriate for their needs.	Low	Still under review but hope will be resolved after the tender at the Council as completed.	Matthew Filmer	01/09/23

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
4.	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate				Reasonable	
R6	<p>Reserves</p> <p>Issue:</p> <p><u>2021/22 Internal Audit Report:</u></p> <p>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><u>2022/23 Update:</u></p> <p>During the 2022/23 year reserves decreased from 88% to 46% however, this is still above the 20% recommended by the Responsible Finance Officer.</p> <p>Risk: The Charter Trustees may be levying a higher precept than required.</p>	<p><i>The previous 2021/22 recommendation is reiterated:</i></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>	Medium	Agreed following the outturn 2022/23 the need for this is again reinforced.	Neil Fraser / Matthew Filmer	01/09/23
R7	<p>Budget Monitoring – Recharges</p> <p>Issue: Periodic budget reports are presented to Charter Trustees during the year however, these do not include P-Card expenditure or expenses claimed via Payroll, which are not recharged until year end.</p> <p>Risk: Budget reports do not provide an accurate reflection of the budget, which may result in overspend.</p>	<p>In year budget reports should include all items of expenditure.</p>	Low	Agreed, the items in question were very small however the new finance system will avoid this reoccurring.	Matthew Filmer	01/04/23
5.	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for				Substantial	
The only income received by the Charter Trustees during 2022/23 has been the annual precept other than miscellaneous refunds/ reimbursements, which has been received by the Charter Trustees.						

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
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				Substantial	
R8	Asset verification checks Issue: Following the High recommendation made last year to carry out an asset verification check, this was undertaken on 05/01/2023. The asset register was updated prior to this when assets were moved to their current location. However, this updated version was not used in the verification check meaning that 22 items, which appeared to be low value, had not been checked. Risk: Assets have been misappropriated.	An asset verification exercise should be carried out on the 22 items not included in the previous check.	Low	An asset verification exercise will be carried out on the 22 items not included in the previous check.	Neil Fraser	17/10/23
9.	Periodic bank account reconciliations were properly carried out during the year				Reasonable	
R9	Annual Governance and Accountability Return Issue: The total value of cash and short-term investments appears to have been mis-stated in line 8 of the Accounting Statements 2021/22 of the Annual Governance and Accountability Return (AGAR). The reserves figure has been included rather than the bank balance figure. Risk: The Accounting Statement are not accurate	The 2022/23 AGAR Return should include the bank balance figure as per the Governance and Accountability for Smaller Authorities in England guidance.	Medium	Agreed oversight in completing the return has been corrected in 22/23 AGAR	Matthew Filmer	01/4/23

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
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. Consideration was given to related issues in section 1, 4 and 9 in this report.						
11.	If the authority certified itself as exempt from a limited assurance review in the prior year, 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 and therefore is not applicable.						
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 the relevant legislation				Reasonable	
R10	<p>Publication Scheme</p> <p>Issue: Whilst the Charter Trustees are not covered by the transparency code, they are still subject to the requirements of the Freedom of Information Act. This requires every public authority to have a publication scheme and publish information accordingly.</p> <p>The Trustees appear to be largely complying with this although a couple of gaps were identified, for example, expenditure over £100 and regalia asset list.</p> <p>Risk: Not complying with the Freedom of Information Act</p>	<p>To do an assessment against the Freedom of Information Act document for Charter Trustees and ensure all relevant document are published.</p> <p>Definition Document - Charter Trustees (ico.org.uk)</p>	Medium	An assessment against the Freedom of Information Act document for Charter Trustees will be carried out, and all relevant documents will be published.	Neil Fraser	17/10/23
13.	The authority, during the previous year, correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations				Substantial	
The Trustees have notices on the relevant section of the BCP Council website advertising the public's right to inspect the accounts for the 2021/22 accounting statements.						
14.	The authority complied with the publication requirements for the prior year AGAR				Substantial	
All publication requirements have been complied with as published on the relevant parts of the BCP website.						
15.	Trust funds (including charitable) – The council met its responsibilities as a trustee				N/A	

Rec No.	Findings	Recommendations	Priority	Management Response	Responsible Officer	Target Date
BCP Council is not one of the Charter Trustees but supports the Trusts in several ways.						
16.	Other Issues - Consideration of Service Level Agreement					
R11	<p>Service Level Agreement</p> <p><u>2021/22 Internal Audit Report:</u></p> <p>Issue: There is still no Service Level Agreement in place between the Charter Trustees and BCP Council. This recommendation was raised in 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: <i>The Council is subsidising the Charter Trustees</i></p>	<p><i>The previous 2021/22 recommendation is reiterated:</i></p> <p>Service Level Agreements or equivalents will be put in place between the Council and the Trustees to formally define their relationship and to set out what is being provided by the Council.</p>	Low	<p>Service Level Agreements or equivalents will be put in place between the Council and the Trustees to formally define their relationship and to set out what is being provided by the Council.</p> <p>There are draft SLAs which have been prepared. Further work is required to agree with relevant service areas prior to sign off.</p>	Neil Fraser	17/10/23