

The Trustee
Russell-Cotes Art
Gallery and Museum

Civic Centre
Bourne Avenue
Bournemouth BH2 6DY

17 January 2024

Dear Sirs

Russell Cotes 2023 audit

Overview of the scope of our audit

The following Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate that our audit opinion will be unmodified, subject to the outstanding matters detailed below:

Receipt of:

Signed management letter of representation

Signed financial statements

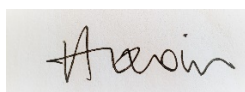
Signed letter of comfort that the charity will be continued to be supported by

BCP Council

Signed letter that there are no subsequent events that should be brought to our attention.

We very much appreciate the kind assistance provided by Council colleagues during our audit. They are a pleasure to work with

Yours faithfully



Hixsons

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Hixsons Audit findings report

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting based on the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Audit approach

Our audit approach was based on a thorough understanding of the charity's business and is risk based, and in particular included:

An evaluation of the Charity's internal controls environment, including its IT systems and controls;

Substantive testing of significant transactions and material account balances

We have not had to alter or change our audit plan, as communicated to you.

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, requiring special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk audit approach

Fraud in revenue recognition

Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the charity could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.

Our audit approach was:

Review and testing of revenue recognition policies.
Detailed substantive testing on material revenue streams.

Based on the audit work performed, no evidence of fraud in revenue has been identified.

Management override of controls

Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.

Our approach was to:

- Make inquiries of management and key finance team members throughout the fieldwork.

- Review a sample of manual journals through the year to ensure that these are appropriate and agree to supporting documentation.

- Detailed review of significant estimates and judgements to ensure that these are appropriate.

- Substantive audit of any one off or significant unusual transactions.

Based on the audit work performed, no evidence of management override has been identified.

Going concern

Under ISA 570 (UK) those charged with governance are responsible for the preparation of the financial statements and the assessment of the entity's ability to continue as a going concern. There is a risk that the going concern status of the charity is inappropriate as it runs at a deficit.

Our approach was to:

- Review post period end position and performance.

- Review of forecasts and budgets and discuss with management to understand assumptions.

- Perform sensitivity analysis to identify the feasibility of going concern basis, discussions with management including consideration of related disclosures in the financial statements.

Based on the audit work performed, going concern basis used to prepare financial statements is appropriate.

There were no changes to our audit plan previously communicated to you.

Going concern

We concur with management's assessment that it is appropriate to continue to adopt the going concern and there are no material uncertainties relating to going concern which should be disclosed in the financial statements. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charity's ability to continue as a going concern.

Accounting policies, estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year, except the change in valuation basis for heritage assets.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charity. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charity.

Other communication requirements

Fraud or suspected fraud

We have previously discussed the risk of fraud with you and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. If the directors wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the business.

There are no indications from this work of any significant incidences of non-compliance or material

breaches of laws and regulations stopping the business from continuing as a going concern or that

would necessitate a provision or contingent liability.

There are also many other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non-compliance.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance or merit being reported to you.

The scope of our work is not designed to be an extensive review of all internal controls. If we had performed more extensive procedures, we might have identified more recommendations.

Independence

In accordance with our profession's ethical guidance there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

Recommendations

Ledger system

The charity's transactions are included within the Council's Ledger system and have to be extracted. This produces a potential risk that not all transactions will be extracted and therefore the charity's income and expenditure may be misstated. This occurred this year, and we recommend that this procedure is reviewed to ensure that this does not recur. It is also difficult to always trace the charity's transactions through to source documents given they are part of a substantially larger set of transactions. We recommend that the charity has its own set of ledgers and bank account. We are aware in the past management response has been that this is unnecessary, but we think that our audit time and therefore cost would be reduced, and the risk of misstatement would also be reduced.

VAT

The charity does not have its own VAT registration, but all transactions are passed through the council's VAT account. This is unusual, and it is possible that this may misstate VAT particularly where charitable activities are concerned, as not all charity transactions allow for the recovery of VAT. We recommend that the charity has a separate VAT registration.

Revaluations

Revaluations of heritage assets are done on insurance value, which is not the same as the value that can be attributed for accounts purposes. We accept that Duke's valuation for insurance is the same as a mid-market auction value, and has been assessed by a competent expert. Even so, not all heritage assets have been valued by such an expert and some averaging has taken place. We recommend that a full valuation is done. The buildings valuation is an uplift based on the Trustee's view of the likely value. We recommend that the buildings are valued by a firm of Chartered Surveyors. We also recommend, if not already in plan, that a comprehensive valuation of all heritage assets takes place.