



BOURNEMOUTH CHARTER TRUSTEES 2023/24

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) 2023/24 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.

Eleven recommendations were made in the 2022/23 audit report, the current status of these recommendations is shown in the table below:

	High	Medium	Low	Total
Implemented	0	2	4	6
Not Implemented	0	4	1	5*
Total	0	6	5	11

**These recommendations have been reiterated/updated in this report as appropriate.*

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	2023/24 Internal Audit Opinion on the operation of the control framework throughout the financial year	2023/24 AGAR opinion	2023/24 recommendations made
Appropriate accounting records have been properly kept throughout the financial 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	1 Medium, 2 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
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.	Partial	No	1 High, 1 Low
Periodic bank account reconciliations were properly carried out during the year.	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.	N/A	Not Covered	N/A
If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt.	N/A	Not Covered	N/A
The authority published the required information on a website / webpage up to date at the time of the internal audit in accordance with the relevant legislation	Reasonable	Yes	1 Medium
In the year covered by this AGAR, 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 2022/23 AGAR.	Substantial	Yes	None
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			9 (1 High, 3 Medium, 5 Low)

Summary of Findings:	
High Priority	
<u>Asset Verification Check:</u> An asset verification check was not completed for Bournemouth assets (R6)	
Medium Priority	
<u>Value for Money:</u> Financial Regulations does not detail how to evaluate estimates or quotes, additionally the £100 limit to obtain 3 quotes should be reviewed (R2) <u>Reserves:</u> There are high levels of reserves (R5). <u>Publication Scheme:</u> Not all required items are published (R8).	
Low Priority	
<u>Charter Trustee Remit:</u> The remit of Charter Trustees with regard to new activities is not clear (R1). <u>Use of P Cards:</u> The Purchasing Card procedures are not being followed (R3) <u>Risk Registers – Risk Scoring:</u> Risk scoring does not take impact of risk into account (R4) <u>Asset Valuation Schedule:</u> There is no asset valuation schedule in place (R7) <u>Service Level Agreement:</u> Not in place (R9).	

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 financial year					Substantial
The Charter Trustees use a separate ledger on the BCP Council's financial management system, Dynamics – Finance & Operations. 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>Issue:</p> <p>As noted in the 2021/22 and 2022/23 report, 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>Although the Charter Trustee Handbook has been updated it does not address the issue on whether Charter Trustees can support new activities.</p> <p>Risk: The Charter Trustees may not be operating within their remit.</p>	<p><i>The previous 2021/22 + 2022/23 recommendation is reiterated:</i></p> <p>The scope of operation of the Charter Trustees should be clarified within the Handbook.</p>	Low	<p>The objective of the Charter Trustees is to maintain the civic, historic and ceremonial traditions of the former Borough. Any new activities would be assessed on a case-by-case basis to ensure they support this objective.</p> <p>Handbooks will be amended to set this point out clearly and will be submitted to Trustees for formal approval.</p>	Neil Fraser	October CT meetings
R2	<p>Value for money</p> <p>Issue:</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</p>	<p><i>The previous 2021/22 + 2022/23 recommendation is reiterated:</i></p> <p>Financial Regulations should be amended or supplemented to include a process to evaluate quotes or estimates in order to</p>	Medium	<p>We will look to bring forward a paper to the Charter Trustees amending the financial regulations with narrative setting</p>	Matthew Filmer	Sept 2024

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	<p>which estimate or quote should be selected to demonstrate best value for money.</p> <p>It was noted in previous audits (2021/22 & 2022/23) that in some cases, 3 quotes or estimates had not been obtained and explanations for this were not documented and agreed at the time.</p> <p>This was still found to be the case during the 2023/24 year, although it is noted that a process has recently been put in place for 2024/25.</p> <p>Risk: The Charter Trustees are not obtaining value for money.</p>	<p>demonstrate that the best value for money is obtained, including the process for approving where quotations are not obtained.</p> <p>Additionally, Charter Trustees should review whether the current £100 limit, to obtain 3 quotes, is appropriate. It may be more proportionate and efficient to have a higher limit where 3 quotes are sought and to have a different best value arrangement for lower level spend.</p>		<p>out how to secure value for money.</p>		
R3	<p>Use of P Cards</p> <p>Issue: Personal shop loyalty cards are being used for shopping when using Charter Trustee P cards. In addition, one occasion was identified where an order was delivered to a home address. These are not permitted under the Purchasing Card procedures.</p> <p>Risk: There is risk of fraud or perceived additional benefits.</p>	<p>That Purchasing Card procedures are enforced, or formal agreement obtained where exceptions are required.</p>	Low	<p>The issue has been addressed with P card holders, who have been reminded of the rules and regulations applicable to holders of cards.</p>	Neil Fraser	n/a
3.	The Trustee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these				Substantial	
R4	<p>Risk Registers – Risk Scoring</p> <p>Issue:</p> <p>Charter Trustees currently use a Likelihood x Severity table which to score their risks. The Severity assesses the mitigations in place and as such there is no</p>	<p>Charter Trustees may want to consider their risk scoring matrix to reflect a Likelihood x Impact format to determine the overall severity.</p>	Low	<p>The Audit Team will provide an updated Risk Register template for the Civic Team to consider.</p>	Neil Fraser	

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	<p>measure of the impact of the risk occurring (e.g. financial impact).</p> <p>Risk:</p> <p>Risk not appropriately scored and therefore appropriate mitigations not identified.</p>	e.g. Likelihood 4 x Impact 4 = 16 severity (of risk)				
4.	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate				Reasonable	
R5	<p>Reserves</p> <p>Issue:</p> <p><u>2021/22 and 2022/23 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.</p> <p>The March 2024 closing reserves figure for Bournemouth Charter Trustees is £103,577. Whilst there have been efforts to reduce reserves during 2022/23 and 2023/24, these remain significantly 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 + 2022/23 recommendation is reiterated:</i></p> <p>A reserves strategy, including links to precept, should be put in place to manage reserves whilst staying in line with the purpose and scope of the Charter Trustees.</p>	Medium	<p>Reserves rose substantially through the period of the Covid-19 pandemic, where budgets were agreed for events that subsequently did not take place due to rules governing social gatherings.</p> <p>Since then, the Civic Working Group and the Budget Signatories have met to discuss use of reserves, and in Poole reserves should subsequently reduce significantly through the instigation of a new Grant Funding Scheme, and the holding of a Freedom Event for</p>	Neil Fraser / Matthew Filmer	Ongoing

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				<p>HMS CATTISTOCK, all funded from Reserves.</p> <p>Precept for 24/25 was frozen at the previous year's value in light of the substantial reserves.</p> <p>The reduction in reserves held was set out in the budget report determined by Charter Trustees at their meeting in January 2024.</p> <p>Further use of reserves will continue to be explored. This may include future budget requirements for Parish/Town Councils.</p>		
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 2023/24 has been the annual precept other than miscellaneous refunds/ reimbursements, which has been received by the Charter Trustees.						
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.						

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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	
R6	<p>Asset verification checks</p> <p>Issue: A full asset verification check for Bournemouth assets has not been carried out in the last year; the last check was January 2023.</p> <p>It is noted that efforts were made to arrange this but there was insufficient response from the Charter Trustees to allow this to be undertaken.</p> <p>Risk: Assets may be misappropriated</p>	<p>A full asset verification exercise should be carried out on the Bournemouth Charter Trustee Assets as soon as possible.</p> <p>*Alternative options to carry out this exercise may need to be considered</p>	High	To ensure Charter Trustee availability, completion of the Asset Verification has been postponed until after the General Election.	Neil Fraser	July 2024
R7	<p>Asset Valuation Schedule</p> <p>Issue:</p> <p>The last valuation of Bournemouth assets took place in 2019 and there is currently no schedule/ plan in place for this moving forward.</p> <p>Risk:</p> <p>Assets are valued at the incorrect amount which may impact insurance claims.</p>	<p>An appropriate asset valuation schedule should be determined.</p>	Low	<p>The last valuation was carried out post-LGR. The Civic team will seek advice on how often an asset valuation exercise should be carried out.</p> <p>The Responsible Financial Officer will then ensure the cost of such an exercise is included in that year’s proposed budget.</p>	Neil Fraser/ Matt Filmer	End June 2024
9.	Periodic bank account reconciliations were properly carried out during the year				Substantial	

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Bank reconciliations were properly carried out during the year and approved as required.						
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 2022/23, 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 published the required information website/webpage up to date at the time of the internal audit in accordance with the relevant legislation				Reasonable	
R8	<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>In the 2022/23 audit, it was identified that whilst the Trustees appeared to be largely compliant, gaps were identified, for example, expenditure over £100 and regalia asset list.</p> <p>Following a recent assessment against requirements by the Team, this still remains the case. There were concerns raised regarding the appropriateness of publishing full lists of the civic regalia.</p> <p>Risk: Not complying with the Freedom of Information Act</p>	<p><i>The previous 2022/23 has been superseded and made as follows:</i></p> <p>Expenditure over £100 should be published as required.</p> <p>Appropriate legal advice should be sought on publication of asset lists to ensure compliance with the Freedom of Information Act.</p>	Medium	An assessment against the Freedom of Information Act as regards Charter Trustees will be carried out alongside the Council's legal team, and all required documents will be published.	Neil Fraser	Dec 2024, subject to work on community governance review.
13.	In the year covered by this AGAR, the authority correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations				Substantial	

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The Trustees have notices on the relevant section of the BCP Council website advertising the public's right to inspect the accounts for the 2022/23 accounting statements.						
14.	The authority complied with the publication requirements for the 2022/23 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
BCP Council is not one of the Charter Trustees but supports the Trusts in several ways.						
16.	Other Issues - Consideration of Service Level Agreement					
R9	<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 initially raised in 2020/21 and work to draft Service Level Agreements has been undertaken, but this has not been finalised.</p> <p>Risk: There is no clear separation between the Council and the Charter Trustees.</p> <p>BCP Council Risk: The Council may be subsidising the Charter Trustees.</p>	<p><i>The previous 2021/22 + 2022/23 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	Drafting of Service level Agreements for Charter Trustees will be carried out alongside the Council's legal team.	Neil Fraser	Dec 2024, subject to work on community governance review.