

## Internal Audit Report

### Law & Governance / Committee and Civic Services

### Audit Review: Mayor's Charity Accounts 2021/22

Month / Year: January 2023

Status – FINAL

#### Distribution

##### For action:

- Sue Carroll – Civic Services Officers
- Kris Cureton – Civic and Electoral Services Manager

##### For information

- Vicki Shaw – Head of Legal Services

##### Audit Team

- Ian Jones (Lead Auditor)
- Iain Miles (Audit Manager)

##### Issued by:

- Mark Niblock (Chief Internal Auditor)

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## Limitations & Responsibilities

The matters raised in this report were identified during the course of the audit fieldwork and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. The work performed by Internal Audit may not be relied upon to identify all system weaknesses that may exist. Neither should Internal Audit be relied upon to identify all circumstances of fraud or irregularity, should there be any, although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

## Public Sector Internal Audit Standards

Internal Audit work is designed to comply with the Public Sector Internal Audit Standards 2017. The Public Sector Internal Audit Standards provide a coherent and consistent Internal Audit Standards Framework for the whole of the Public Sector, and Internal Audit providers are required to demonstrate compliance via a structured mandatory mechanism of external assessment. Wirral Internal Audit Services were assessed in 2019 and were adjudged to be fully compliant in all areas.

## Executive Summary

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- 1.1 An independent examination of the Mayor's Charity Account for 2021/22 has been undertaken in accordance with the requirements of the Charities Act 2011.
- 1.2 The examination of the accounts consisted of a:
  - Review of the accounting records
  - Comparison of the accounts presented with those records
  - A review of the accounts and consideration of any unusual items or disclosures identified.
- 1.3 Following the examination of the Charity's accounts an unqualified opinion can be provided for inclusion in the Wirral Mayor's Charity Statement of Accounts 2021/22 - see Appendix 2.
- 1.4 In the 2017/18 audit report, we stated that the existing Trust Deed was signed and dated 1 April 1986 and was now out of date. We have reported this annually without the Deed being updated. We were told in October 2018 that work was underway to prepare a new, fit for purpose, Trust Deed to comply with the Charity Commission's recommended Trust Deed. We have now been satisfied that the Deed has been updated and lodged with the Charity Commission.
- 1.5 In the last four years, 2017/18 to 2020/21, no formal Trustee meetings have been held other than a year-end meeting to approve the accounts and annual report. The new Trust Deed provides for a Management Committee of the Council to be established to organise the operational running of the charity. The Council is the sole Corporate Trustee of the Charity, with the trustee role to be exercised through the Charitable Trusts sub-committee. The work programme for the Charitable Trusts sub-committee should include the annual review of the charity's internal financial controls, as recommended by the Charity Commission.
- 1.6 There have been a number of developments this year that have strengthened the charity's internal financial control. For instance, all expenses for invoices are now paid by cheque from the charity account and a reconciliation is carried out of cash collected at events which is signed off at the end of the event. See Appendix 1 below for a summary of the good progress made on last year's Action Plan. During this year, other initiatives have also been progressed, such as the move to increase participation in the Lottery via a Just Giving page.
- 1.7 During 2021-22, due to COVID restrictions, the Charity's activities have, again, been restricted with the Mayor's Charity Ball being the only event that took place in the year.

### Overview of recommendations

1.8 The audit report includes **two** recommendations, which can be summarised as follows:

Priority Level	Number of Recommendations
High	NIL
Medium	2
Low	NIL

### Organisational Risk Rating

Organisational Risk Rating		Definition
Major		The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and/or corporate objectives if not addressed
Moderate		The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a moderate risk of a fundamental or material nature. This opinion suggests that that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of systems and/or corporate objectives
Minor	X	The likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk
Negligible		No weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings

## Introduction

- 2.1 An independent examination of the Mayor's Charity Account for 2021/22 has been undertaken in accordance with the requirements of the Charities Act 2011. This review was undertaken as part of the Internal Audit Plan approved by the Audit and Risk Management Committee. It will contribute to the overall opinion on the strength of internal control within the Council, which is reported on by the Chief Internal Auditor as part of the Internal Audit Annual Report
- 2.2 The audit is part of planned work and forms part of the Charity's submission to the Charities Commission when filing their annual accounts.
- 2.3 This report has been discussed with Sue Carroll Civic Services Officer and Kris Cureton, Electoral and Civic Services Manager.

## Audit Objectives and Scope

- 3.1 The objective of the audit was to undertake the independent examination of the Mayor's Charity Account for 2021/22, in accordance with the requirements of the Charities Act 2011.
- 3.2 The scope of the audit is as per the Charities Commission Independent Examiner's checklist form (CC32a) which requires an independent examination and sign-off of the Charity's accounts.
- 3.3 The examination of the accounts consisted of a:
  - Review of the accounting records
  - Comparison of the accounts presented with those records
  - A review of the accounts and consideration of any unusual items or disclosures identified.

## Findings, Observations and Recommendations

- 4.1 The year-end for the Mayor's Charity Account was 14 May 2022. As in the previous two years (2019-20 and 2020-21), the COVID19 pandemic had a significant impact on the activities of the charity throughout this year (May 2021 to May 2022). Usually, the charity runs several fundraising events although this did not take place during 2020/21 due to the Covid-19 pandemic. Events have begun to resume during 2021/22, and fundraising such as donation collections and entries for the Mayor's Lottery have continued with the Charity Ball being held this year.
- 4.2 This audit was, again, mainly, undertaken remotely and we have again considered the issues raised for consideration in the Charity Commission's document 'Guidance for Independent Examiners during Covid-19 pandemic or in a time of national emergency' which remains extant. We have considered the impact on our ability to comply with any Charity Commission Directions and related guidance. The guidance recognises that there may be a need to place greater reliance on verbal or written assurances from charity staff and trustees.
- 4.3 As in previous years, the accounts have been prepared from the cashbook and agreed to the underlying bank statements. Due to the Charity emerging from the Pandemic, the only event held was the Charity Ball. During the time of the accounts (May 2021 to May 2022), in line with Council policy, the Civic Services Officer (CSO) continued to, mostly, work from home whilst most records remained at the Town Hall. As we have considerable previous knowledge and experience of the charity, it has been possible to rely on written confirmations from the CSO that policies and procedures, and the approach to maintaining records is unchanged. We will seek similar assurances from the trustees in the meeting with trustees to discuss this report. We have undertaken a more extensive analytical review

this year to consider the reasons for variances year on year – this has been undertaken at the more detailed trial balance level rather than summary type of income and expenditure. We have also sought to gain assurances from third parties where it has not been possible to see documentary evidence for significant donations received or paid out.

- 4.4 This report reflects the findings and recommendations from the independent examination of the Mayor's Charity Account for 2021/22. The report has been agreed with Sue Carroll, Civic Services Officer, Kris Cureton, Electoral and Civic Services Manager, and Vicki Shaw, Head of Legal Services.
- 4.5 The Cashbook included items that were paid and received after the year end (14 May 2022) and it should be ensured that these items are captured in next year's account.
- 4.6 Following the audit, changes were requested to be made to the accounts. These included increasing income from fund raising events and the cost of fund-raising events to reflect additional income and costs from the Charity Ball held at Thornton Hall. Some changes were also suggested for the Trustees' Report included within the Mayor's Charity Statement of Accounts; including making reference to the new Trust Deed and governance structure.
- 4.7 As in previous years, officers from the Finance team have produced an annual report and formalised set of accounts prior to Internal Audit's independent examination. This shows separation of duties between the cashbook, the preparation of the accounts and the independent examination of those accounts. The continued involvement of Finance and Legal officers helps to mitigate the potential inherent risk with all small charities of over-reliance on a small number of officers / volunteers to handle the charity's accounts and finances.

Items from previous reports:

- 4.8 For the past four years we have reported that the existing Trust Deed was signed and dated 1 April 1986 and was now out of date. In October 2018 work was underway to prepare a new, fit for purpose, Trust Deed to comply with the Charity Commission's recommended Trust Deed. As we stated in our 2019-20 report, this new Deed needed to be implemented as soon as possible as it is fundamental to the Charity's activities. We have now been satisfied that the Deed has been updated and lodged with the Charity Commission.
- 4.9 No formal Trustee meetings have been held other than a year-end meeting to approve the accounts and annual report over the past four years. The new Trust Deed provides for a Management Committee of the Council to be established to organise the operational running of the charity. The Council is the sole Corporate Trustee of the Charity, with the trustee role to be exercised through the Charitable Trusts sub-committee. The work programme for the Charitable Trusts sub-committee should include the annual review of the charity's internal financial controls, as recommended by the Charity Commission.

4.10 There have been a number of developments this year that have strengthened the charity's internal financial control. For instance, all expenses for invoices are now paid by cheque from the charity account and a reconciliation is carried out of cash collected at events; which is signed off at the end of the event. See Appendix 1 below for progress made on last year's Action Plan.

Items from this year's audit:

4.11 During this year, changes have been made to the charity's governance structure and other initiatives have also been progressed:

- The Charity's Trust Deed has been amended and lodged with the Charity Commission on 5 May 2022. This Deed makes the Council the sole Trustee; making it easier to involve other officers as appropriate to assist with supporting the Charity's governance structure.
- A campaign was launched to encourage take up of participation in the Lottery via a Just Giving page that was launched dedicated to the Charity.
- Civic Services staff explored the idea of the Charity having its own card reading machine for collecting payments at various events to lessen cash transactions. Following discussion with Internal Audit and Insurance, this idea was not taken forward due to the cost of operating the machine.

4.12 During the year, the Council lottery has raised income of £15,505. Payments to winners of £15,000 has meant only £505 has been added to the monies available for donation to local charities. Officers may wish to review the operation of the lottery to explore opportunities for generating a greater contribution. The launch of the Just Giving page is a good example of such an initiative.

4.13 Following the review, the following table sets out the issues identified and our recommendations.

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
4.14	Charity Commission guidance requires Charity Trustees to undertake an annual review of the charity's internal financial controls.	The Council is the sole Corporate Trustee of the Charity. The trustee role is exercised through the Charitable Trusts sub-committee.	The work programme for the Charitable Trusts sub-committee should include an annual review of the charity's internal financial controls.	Medium

4.15	Without periodic review, the operation of activities designed to generate proceeds for the Mayor's Charity may become less effective.	During the year, the Council lottery has raised income of £15,505. Payments to winners of £15,000 has meant only £505 has been added to the monies available for donation to local charities.	Officers should review the operation of the Council lottery to explore opportunities for generating a greater contribution.	<b>Medium</b>
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## Next Steps

- 5.1 Please complete the Action Plan and return to **Ian Jones**. Please consider whether any of the risks highlighted in this report need to be reflected in the department's risk register.
- 5.2 Progress in implementing the recommendations will be kept under regular review in line with the agreed action plan timescales and reported regularly to the relevant Departmental Management Team and the Senior Leadership Team through the Power BI reporting framework.
- 5.3 Your feedback is very important to us. Please complete the Customer Feedback request included at the end of the action plan and return this with your completed action plan. We may contact you to discuss this feedback.
- 5.4 The Chief Internal Auditor (CIA) provides a regular update on internal audit activity to the Audit and Risk Management Committee. Key issues arising from this review or in respect of delays in implementing the recommendations will be considered for inclusion in the CIA's report.
- 5.5 Thank you for your help and co-operation during the audit. Please contact **Ian Jones** if you wish to discuss the report further.

## Management Action Plan and Feedback

### Key: Recommendation Priority Levels

<b>HIGH</b>	<b>MEDIUM</b>	<b>LOW</b>
A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.



timescale: within one month).		
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Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Role of Responsible Officer
6.1	The work programme for the Charitable Trusts sub-committee should include an annual review of the charity's internal financial controls.	<b>MEDIUM</b>				
6.2	Officers should review the operation of the Council lottery to explore opportunities for generating a greater contribution.	<b>MEDIUM</b>				

<b>How satisfied were you with the overall service received from Internal Audit? (please ✓ to indicate)</b>							
Very satisfied		Satisfied		Dissatisfied		Very Dissatisfied	
<b>Please provide any additional comments:</b>							

If you would like to discuss any aspect of this audit, please contact the Chief Internal Auditor.

Completed by: ..... Signed: ..... Date:.....



## Appendix 1

### 7. Recommendations from previous audit.

Ref	Recommendation	Priority Level	For completion:			
			Agreed Y/N	Plan for Implementation	Expected Implementation Date	Name and role of Responsible Officer
7.3	Income collected continues to be used for expenditure purposes. This should not be allowed to happen, for example, invoices from individuals for their expenses should be paid by cheque. This represents a significant risk to the Charity of financial impropriety.	Medium	Y	All expenses for invoices are now paid by cheque from the charity account.	Implemented	Kris Cureton, Electoral and Civic Services Manager
7.4	A cash collection process should be implemented which requires: <ul style="list-style-type: none"> <li>- where possible, signed complete cash records which are countersigned, or</li> <li>- where not possible, a signed statement of the values of cash collected which is countersigned.</li> </ul>	Medium	Y	In person cash collection at events record number of tickets sold and cash tallied and signed off at the end of the event. This is signed by Sue Carroll and counter signed by Kris Cureton	Implemented	Kris Cureton, Electoral and Civic Services Manager

Ref	Recommendation	Priority Level	For completion:			
			Agreed Y/N	Plan for Implementation	Expected Implementation Date	Name and role of Responsible Officer
7.5	A process should be implemented which allows for a reconciliation of monies expected to monies collected with regards to the sale of raffle and tombola tickets i.e. the first number sold, the last number sold multiplied by cost gives an idea of monies collected.	Medium	Y	Excel sheets have been created for ticket sales that list number of tickets available, cost of tickets, and purchaser name.  Total number of ticket sales and costs are recorded and kept in Civic document folders for audit purposes.	Implemented	Kris Cureton, Electoral and Civic Services Manager
7.6	In general, controls over income need to be strengthened e.g. more control over the collecting and recording of income received.	Medium	Y	See completed actions at 7.3 and 7.4 above.  Observation: In addition, officers are considering a move to on-line banking to further increase the level of financial scrutiny over income (and expenditure).	Implemented  Early March 2023	Vicki Shaw, Head of Legal Services and Sue Carroll, Civic Services Officer
7.7	Once regular access to the office resumes, electronic copies should be kept of all accounting records, invoices, etc. This will ensure all such records can be accessed remotely in future.	Medium	Y	All charity events will now use electronic accounting methods in the form of excel documents. The excel documents will list number of tickets, costs, purchase history and costs to the charity. These files will be available for civic teams to access remotely.	In place from November 2022	Kris Cureton, Electoral and Civic Services Manager

## 8. Independent Examiner's Report

## Appendix 2

### Independent examiner's report to the trustees of The Wirral Mayor's Charity

I report to the trustees on my examination of the accounts of The Wirral Mayor's Charity (the Charity) for the year ended 14 May 2022.

### Responsibilities and basis of report

As the Charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the Charity's accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

### Independent examiner's statement

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the Charity as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Iain Miles, CIPFA  
Internal Audit Manager, Wirral Council.  
January 2023.