

Internal Audit Report

Law & Corporate Services / Democratic and
Member Services

Audit Review: Mayor's Charity Accounts 2022/23

Month / Year: January 2024

Distribution

For action:

- Karen Fox – Principal Civic & Electoral Services Officer
- Kris Cureton – Civic and Electoral Services Manager

For information

- Vicki Shaw – Head of Legal Services

Audit Team

- Ian Jones (Lead Auditor)
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- 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

- 1.1 An independent examination of the Mayor's Charity Account for 2022/23 has been undertaken in accordance with the requirements of the Charities Act 2011. The Charity Commission guidance requires Charity Trustees to undertake an annual review of the charity's internal financial controls. This should include an annual review of the charity's internal financial controls.
- 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 2022/23- see Appendix 1.
- 1.4 This year, free from the restrictions of COVID-19, events have resumed in earnest, and fundraising such as donation collections and entries for the Mayor's Lottery have continued with the Charity Ball and Tea Dance also being held this year.
- 1.5 The Council is now the sole Corporate Trustee of the Charity, with the trustee role being 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 During this year, initiatives have also been progressed, such as the move to increase participation in the Lottery via a Just Giving page. This has raised net proceeds of £1,002 for good causes this year compared to £505 last year. To maximise money available, consideration could be given to reviewing the monthly prizes on offer.

Overview of recommendations

- 1.7 The audit report includes **three** recommendations, which can be summarised as follows:

Priority Level	Number of Recommendations
High	NIL
Medium	3
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 2022/23 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 Karen Fox, Civic Services Officer, Kris Cureton, Electoral and Civic Services Manager and Vicki Shaw, Head of Legal Services.

Audit Objectives and Scope

- 3.1 The objective of the audit was to undertake the independent examination of the Mayor's Charity Account for 2022/23, 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 2023. This year, free from the restrictions of COVID-19, events have resumed in earnest, and fundraising such as donation collections and entries for the Mayor's Lottery have continued with the Charity Ball and Tea Dance also being held this year.
- 4.2 As in previous years, the accounts have been prepared from the cashbook and agreed to the underlying bank statements. We have undertaken an analytical review to consider the reasons for variances year on year – this has again been undertaken at the more detailed trial balance level rather than summary type of income and expenditure. We have also sought to gain independent assurances from third parties for significant donations received or paid out and have again received assurances from charity staff concerning procedures in place.
- 4.3 This report reflects the findings and recommendations from the independent examination of the Mayor's Charity Account for 2022/23. The report has been agreed with Karen Fox – Principal Civic & Electoral Services Officer, Kris Cureton, Electoral and Civic Services Manager, and Vicki Shaw, Head of Legal Services. The Principal Civic & Electoral Services Officer was new to post this year, following the retirement of her predecessor; it was clear that there had been a good handover and we again received very good support with the audit.
- 4.4 The Cashbook included items that were paid and received after the year end (14 May 2023), and it should be ensured that these items are captured in next year's account, as was similarly undertaken for this year's account.

4.5 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 this year's audit:

4.6 We were unable to verify some expenditure e.g. Tea Dance expenses of £75.92, as no receipts were available.

4.7 During the year, the Council lottery has raised income of £16,002, compared to £15,505 in the previous year. Payments to winners of £15,000 has meant only £1,002 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. A campaign on the Intranet helped with the collection of greater income this year. To maximise money available, consideration could be given to reviewing the monthly prizes on offer.

4.8 The Charity Commission guidance requires Charity Trustees to undertake an annual review of the charity's internal financial controls. As Council is the sole Corporate Trustee of the Charity. The trustee role is exercised through the Charitable Trusts sub-committee and their work programme should include an annual review of the charity's internal financial controls.

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

Ref	Risk and Potential Implications	Finding	Recommendation	Priority Level
4.10	Expenditure that is not related to the Charity could be being made using the Charity's money	No receipts available to verify expenditure in some cases e.g. Tea Dance expenditure.	Receipts for all expenditure should be requested and retained in all cases.	Medium
4.11	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 £16,002. Payments to winners of £15,000 has meant only £1,002 has been added to the monies available for donation to local charities.	To maximise money raised, consideration could be given to reviewing the monthly prizes on offer.	Medium
4.12	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

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

<u>Key: Recommendation Priority Levels</u>		
HIGH	MEDIUM	LOW
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 timescale: within one month).	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.

Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Role of Responsible Officer
6.1	Receipts for all expenditure should be requested and retained in all cases.	MEDIUM	Yes	All receipts are now scanned and retained in the folder relevant to the event. This will prevent the omission / loss of receipts for future years' accounts.	In place from August 2023	Civic & Electoral Services Manager
6.2	To maximise money raised, consideration could be given to reviewing the monthly prizes on offer.	MEDIUM	Yes	The monthly prize structure for the lottery was changed in September 2023. The total prize fund per month was reduced from £1250 to £1000. The new maximum figure is split as 1 st prize £700, 2 nd prize £200, and 3 rd	Implemented September 2023	Civic & Electoral Services Manager

Ref	Recommendation	Priority Level	Agreed Y/N	Plan for Implementation	Expected Implementation Date	Role of Responsible Officer
				prize £100. Legal have checked and agreed the new structure and all participants were contacted to advise what the new prize structure would be from September 2023.		
6.3	The work programme for the Charitable Trusts sub-committee should include an annual review of the charity's internal financial controls	MEDIUM		The charity's internal financial controls are reviewed every 6 months with the Council's legal department and the Civic Manager. The bank statements are analysed every month and the information categorised and recorded in the internal charity account ledgers held by the Civic Team.	In place	Civic & Electoral Services Manager

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

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

Completed by: Kris Cureton Signed:..... Date:

8. Independent Examiner's Report

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 2023.

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 2024.