

**KING GEORGE'S FIELD, MILE END**

**REPORT TO MANAGEMENT**

**YEARS ENDED 31 MARCH 2022**

**King George's Field, Mile End  
Report to Management  
Years Ended 31 March 2022**

During our audit of King George's Field, Mile End for the year ended 31 March 2022 we evaluated the charity's accounting systems and internal controls to ascertain how much reliance we could place on the information when forming our audit opinion.

From this evaluation of the systems and internal controls we present a report of the areas where we believe that improvements would be beneficial to yourselves. In addition, we also would like to take this opportunity to highlight potential areas of efficiency gains in regards to us, Arnold Hill & Co LLP, carrying out our year-end audit work.

We make these comments independently of our audit and they are confined to matters which we feel should be brought to your attention.

We would therefore be grateful if, after considering the contents of this letter, you would inform us of the action you intend to take in response to the points raised.

Issues Highlighted	Implications	Recommendations	Management Responses
<p><b>1. Fixed Assets</b></p> <ul style="list-style-type: none"> <li>▪ We note that the title deeds for many of the charity's fixed assets do not reflect the charity as legal owner.</li> <li>▪ We noted invoices for fixed asset works which were not addressed to the charity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Where assets are not owned by the charity, income derived from these assets would be due to the legal owner.</li> <li>▪ Where invoices are incorrectly addressed the transactions could be recognised in the incorrect entity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All title deeds for the relevant properties should be updated to show the charity legally owns them.</li> <li>▪ Ensure that invoices for works on charity-owned assets are invoiced to the charity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work on this matter is continuing with legal investigating historical records and documentation.</li> <li>▪ Contact has been made with the Land Registry with regard to a simplified approach to reregistration as numerous titles are involved.</li> </ul>
<p><b>2. Bank</b></p> <ul style="list-style-type: none"> <li>▪ We note that the charity does not have its own bank account and that all transactions pass through the London Borough of Tower Hamlets' bank account.</li> <li>▪ As at 31 March 2022, the bank balance is in effect overdrawn.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is a concern that there is a lack of controls of what the charity's cash balance is which could lead to misstatement.</li> <li>▪ The bank being overdrawn would effectively mean the council has loaned money to the charity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ideally the charity should have a bank account separate to the Council's.</li> <li>▪ As a minimum, a detailed record should be maintained of all transactions relating to the charity that pass through council's bank which can support the closing balance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council uses its financial and accounting process to keep the transactions separate from other budgets (cost centres).</li> <li>▪ Although the setting up of a separate account is simple, disaggregating the Charity's processes from the Council's to ensure that they are linked to a new Charity specific bank will be time consuming and require resources. Officers will</li> </ul>

			continue to scope out the best options under value for money.
<p><b>3. Trade Debtors and Deferred Income</b></p> <ul style="list-style-type: none"> <li>We noted that deferred income had not been recognised for amounts invoiced or received in advance.</li> </ul>	<ul style="list-style-type: none"> <li>Debtors and creditors would be understated without recognising these amounts.</li> </ul>	<ul style="list-style-type: none"> <li>Managing agent statements should be reviewed to recognise amounts invoiced to, or received from, tenants but relating to future periods.</li> </ul>	<ul style="list-style-type: none"> <li>The status of arrears is reviewed monthly by council officers with the external letting agents. Officers will continue to undertake this regular review to ensure any unrecoverable debt is written off.</li> <li>It should be noted that the Green Bridge retail units, as of August 2023, do not have any historic rental debt. During the reporting period of accounts up to 31 March 2022, the arrears were being reviewed in line with COVID-19 rent relief considerations.</li> </ul>
<p><b>4. Leasing Agreements</b></p> <ul style="list-style-type: none"> <li>We note that some of the lease agreements are between tenant and the</li> </ul>	<ul style="list-style-type: none"> <li>Where the charity is not a party to the agreement, it may not be entitled to the income arising from the lease.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that all lease agreements are reviewed and updated to correctly reflect the charity as the landlord.</li> </ul>	<ul style="list-style-type: none"> <li>All new leases entered into either for lettings or renewals will be in the name of the Charity.</li> </ul>

<p>Borough rather than the charity.</p>			
<p><b>5. Accounting Systems</b></p> <ul style="list-style-type: none"> <li>▪ The charity does not have its own accounting system separate to the council's and relies upon transactions being coded to the correct cost centre.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is a significant risk that not all transactions that relate to the charity are being captured. If transactions that relate to the charity are incorrectly coded to a different cost centre income and/or expenses would be understated.</li> <li>▪ Similarly, if transactions that don't relate to the charity are incorrectly coded to the charity, income and/or expenses would be overstated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ It is recommended that the charity maintains its own accounting system, separate from the council's.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integrating and maintaining a separate accounting system for the charity will require re-engineering of existing processes and procedures.</li> <li>▪ This recommendation was previously considered at a Board meeting (with the previous administration) and it was determined that this option was not of cost benefit to the Charity and therefore this recommendation was not progressed any further at the time.</li> </ul>
<p><b>6. Transaction Descriptions</b></p> <ul style="list-style-type: none"> <li>▪ During our audit we reviewed the nominal ledgers and often it was difficult to understand from the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unclear labelling of transactions could lead to mis-posting within the accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We recommend for all transactions to have a detailed description to include any date periods etc. that a transaction relates to.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Officers will review all transactions to ensure any date, periods etc. are included in the descriptions of the</li> </ul>

descriptions what the transactions related to.			transactions where necessary and required.
<p><b>7. Unadjusted Errors</b></p> <ul style="list-style-type: none"> <li>During the course of our audit testing we recorded an error to the financial statements as presented [See Appendix 1].</li> <li>As this error was not material the accounts have not been adjusted to it.</li> </ul>	<ul style="list-style-type: none"> <li>We would however like to make you aware of this unadjusted error for your own records as it is possible that similar types of errors might be material in subsequent years.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that you review the unadjusted error as attached and consider the significance for the preparation of future statutory accounts.</li> </ul>	<ul style="list-style-type: none"> <li>The unadjusted errors relate to trade debtors held on the Charity's balance sheet for a number of years. Officers intend to investigate these trade debtors in future year's accounts before any adjustments are put through.</li> </ul>

Appendix 1

Unadjusted error

Description	BS		P&L		Profit Effect
	Dr	Cr	Dr	Cr	
1 Trade debtors	24,607				
Trade creditors		24,607			
<b>Being to gross up negative balance in the debtors listing</b>					
	<u>24,607</u>	<u>24,607</u>			

.....

Signed on behalf of  
London Borough of Tower Hamlets

Dated: .....