

KING GEORGE'S FIELD, MILE END

REPORT TO MANAGEMENT

YEAR ENDED 31 MARCH 2023

**King George's Field, Mile End
Report to Management
Years Ended 31 March 2023**

During our audit of King George's Field, Mile End for the year ended 31 March 2023 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 Response |
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| <p>1. Fixed Assets</p> <ul style="list-style-type: none"> ▪ We note that the title deeds for many of the charity's fixed assets do not reflect the charity as legal owner. ▪ We noted invoices for fixed asset works which were not addressed to the charity. | <ul style="list-style-type: none"> ▪ Where assets are not owned by the charity, income derived from these assets would be due to the legal owner. ▪ Where invoices are incorrectly addressed the transactions could be recognised in the incorrect entity. | <ul style="list-style-type: none"> ▪ All title deeds for the relevant properties should be updated to show the charity legally owns them. ▪ Ensure that invoices for works on charity-owned assets are invoiced to the charity. | <ul style="list-style-type: none"> ▪ Work on this matter is continuing with legal investigating historical records and documentation. ▪ All relevant documentation has been sent to the Land Registry. |
| <p>2. Bank</p> <ul style="list-style-type: none"> ▪ 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. | <ul style="list-style-type: none"> ▪ There is a concern that there is a lack of controls of what the charity's cash balance is which could lead to misstatement. | <ul style="list-style-type: none"> ▪ Ideally the charity should have a bank account separate to the council's. ▪ 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. | <ul style="list-style-type: none"> ▪ The Council uses its financial and accounting process to keep the transactions separate from other budgets (cost centres). ▪ The creation of a separate bank account is being reviewed by officers. |
| <p>3. Leasing Agreements</p> <ul style="list-style-type: none"> ▪ We note that some of the lease agreements are between tenant and the Borough rather than the charity. | <ul style="list-style-type: none"> ▪ Where the charity is not a party to the agreement, it may not be entitled to the income arising from the lease. | <ul style="list-style-type: none"> ▪ We recommend that all lease agreements are reviewed and updated to correctly reflect the charity as the landlord. | <ul style="list-style-type: none"> ▪ All new leases entered into either for lettings or renewals will be in the name of the Charity. |

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| <p>4. Accounting Systems</p> <ul style="list-style-type: none"> ▪ 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. | <ul style="list-style-type: none"> ▪ 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. ▪ Similarly, if transactions that don't relate to the charity are incorrectly coded to the charity, income and/or expenses would be overstated. | <ul style="list-style-type: none"> ▪ It is recommended that the charity maintains its own accounting system, separate from the council's. | <ul style="list-style-type: none"> ▪ Integrating and maintaining a separate accounting system for the charity will require re-engineering of existing processes and procedures. ▪ 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. |
| <p>5. Transaction Descriptions</p> <ul style="list-style-type: none"> ▪ During our audit we reviewed the nominal ledgers and often it was difficult to understand from the descriptions what the transactions related to. | <ul style="list-style-type: none"> ▪ Unclear labelling of transactions could lead to mis-posting within the accounts. | <ul style="list-style-type: none"> ▪ We recommend for all transactions to have a detailed description to include any date periods etc. that a transaction relates to. | <ul style="list-style-type: none"> ▪ Officers will review all transactions to ensure any date, periods etc. are included in the descriptions of the transactions where necessary and required. |

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Signed on behalf of
London Borough of Tower Hamlets

Dated: