Internal Audit Report
Tod Support Including
War Memorial Fund - 1914/1918 and Abraham Ormerod Trust

Prepared by Colin Hill
Dated 22nd October 2024

Re: Tod Support
War Memorial Fund - 1914/1918 Charity number 219673
braham Ormerod Trust Charity number 252036.

Internal Audit Report

1 Executive Summary

1.1 Following completion of my desktop review plus additional checking of website and documents I enclose my internal audit report for your attention and presentation to the Trustees.

1.2 The Internal Audit was conducted on a "light touch" approach. However given the increasing nature of activity and expenditure, it is felt appropriate that a more formal Audit takes place in order to ensure that requirements of the Charity Commission are met where income may possibly exceed £25,000 per annum and/or may not be endowment related.

https://www.gov.uk/guidance/prepare-a-charity-annual-return#ar-questions

1.3 Following the Internal Audit last year, the Trustees have made further progress in the last 12 months in several areas previously identified as requiring attention.

1.3a A real positive is the increase in transparency through the web site and particularly publication of the Annual Report on the Tod Support website, which provides a comprehensive document detailing how much help and assistance the Charity has been able to help the needy of Todmorden.

1.3b Trustees may wish to consider introducing standard accessibility functions on the website

1.3c A negative is the continued reliance on spreadsheets to record financial transactions and whilst the information contained within these has improved, errors with data input did not enable easy cash reconciliation.

1.3b There are however, areas that would benefit from the Trustees' attention as soon as possible in order to improve some key areas of governance.

2. Purpose of internal audit

2.1 The purpose of internal audit is to review and report to the authority on whether its systems of financial and internal controls over its activities and operating procedures are effective.

2.2 Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a

systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.3 The function of the Internal Audit is to test and report on the organisation and whether its specific system of internal control is adequate and working satisfactorily. The Internal Audit reports should therefore be made available to all Trustees of Tod Support.

3 Methodology

3.1 The Internal Audit addressed three areas: -

- Review of recommendations made in terms of the previous years Internal Audit Report
- Financial Transactions
- Governance

4 Recommendations made March 2023.

a. To carry out Risk Assessment on activities to reduce risk of assault.

There is no evidence to support that Risk Assessment are being carried out ahead of visits to clients

b. To improve safety and petty cash reconciliation Introduce prepaid debit card to be issued to case workers with an Imprest replenishment process.

This has been addressed though the issuing of a debit card within an authorised monthly limit for cash withdrawals and payments

c. To protect Trustees from claims of unfair treatment an Equal Opportunities Policy should be adopted supported by a decision-making matrix of qualifying/not qualifying criteria.

Policy not in place

d. *To reinforce integrity of* accounting systems by use of computerised financial system

This has not been introduced

e. To improve Governance (financial and operational) to adopt a set of Financial Regulations with a clear scheme of Delegation and devise a set of Internal controls relevant to the level of business transacted. Charity Commission guidance can be found at

https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities

These have not yet been considered

f. To meet Charity Commission aims of increased transparency – web site/social media

Good progress has been made.

g. To aid reconciliation to consider separating the financial activity of each charity by way of separate bank accounts.

Partially completed ahead of trustees considering whether to merge charities.

h. To review insurance cover in respect of whether to take out Fidelity cover.

Current policies have been reviewed with appropriate limits of cover in place.

5 Financial Transactions and year end balances

5.1 Whilst I have not tested all transactions, my samples have covered the entire year.

5.2 Spreadsheet balances were matched with bank and investment records.

5.3 Case records match payments made and, in the samples tested, were supported with either invoices for items purchased or cash withdrawals made from the bank account.

5.4 Acknowledgement of funds received by applicants by way of signature were evidenced.

5.5 Whilst appropriate accounting records have been properly kept throughout the financial year, reconciling the spreadsheet records to the bank accounts was not easy given the similarity in withdrawal amounts. *An additional column for referencing the cash machine transaction number printed on the withdrawal slip would assist.*

5.6 Because of some data input error and/or recording of payments made, that in practice were not debited to the bank account until later, there were no cash reconciliations undertaken to reflect actual bank account balances to the spreadsheets total for month end against items yet to be presented.

5.7 It is not the job of the Internal Auditor to correct spreadsheets. Three separate attempts to reconcile bank balance to the spreadsheets led to two months minor errors and one month reconciled.

5.8 There is nothing to indicate any financial concern, simply more accurate records to enable easier cash reconciliations to be undertaken.

6 Governance

6.1 It is evident from sample minutes and policies adopted since the last Internal Audit that some progress has been made to introduce a range of policies to help practical delivery of TS objectives: -

- safeguarding policy and procedures
- complaint's policy and procedures
- trustee expenses policy and procedures
- data protection and privacy
- data retention policy
- disclosure and barring policy
- health and safety policy
- governance process

6.2 Policies recommended by the Charities Commission, that have not yet been considered for implementation are as follows:

a. internal charity financial controls policy and procedures
b. financial reserves policy and procedures
c. serious incident reporting policy and procedures
d. internal risk management policy and procedures
e. trustee conflicts of interest policy and procedures

f. investing charity funds policy and procedures
g. campaigns and political activity policy and procedures
h. bullying and harassment policy and procedures
i. social media policy and procedures

6.3 There are in my opinion two immediate key documents missing that should be addressed in the short term

- internal charity financial controls policy and procedures
- financial reserves policy and procedures

6.4a These documents do not have to be complicated or indeed over burdensome, given that the individual amounts of financial assistance are relatively small.

6.4b It is more about the level of financial authority extended to the case workers to ensure that they do not act outside of the Charities intended financial delegation and processes for monitoring and for Trustees to have comfort that there are policies in place to protect their actions as Trustees

7.4 Trustees Declaration of office

7.4a I confirmed by sample testing that Trustees have signed an "Acceptance of Office" forms.

7.4b The website **does not** provide details of Trustees although such information is available by reference to the Charity Commission web site.

8 Financial Reserves

8.1 The increased transparency of what TS does would appear to have led to an increase in demand for financial assistance.

8.2 Whilst determining who qualifies for such assistance is a matter for the Trustees to consider the volume of cases has a cumulative financial effect on the ability to fund from within revenue and has resulted in withdrawals of capital to fund revenue shortfalls.

8.3 This in turn reduces the income generated by investments and on current demand a practical view has to be taken as to whether the current trend is sustainable without imposing restrictions in: -

a) Amount awarded per case or
b) Number of cases per annum supported
c) Financial limit imposed- once spent assistance withdrawn – may be by quarter
d) Tightening of criteria to justify support given.

8.4 This is a difficult decision for Trustees to make as the volunteer nature of Trustees is to help, but having in place a Financial Reserves Policy may assist Trustees in managing the likelihood of less funds available without discrimination or preference.

8.5 A review of reports issued by the Treasurer for Quarter 2 and 3 indicates that this matter is being considered by Trustees. It may be helpful to prepare 3/5/7 and10 year forecast with some sensitivity about investment returns and capital appreciation to determine what would

be an appropriate level of investment funds to withdraw to support the revenue award ambitions of the Trustees to help the needy of Todmorden.

9 Risk Management

9.1 Planning and inherent risk assessment

As part of the inherent risk assessment, I have concluded that:

- There have been no reported instances of misappropriation of funds or incorrect use of funds in the past year.
- The Trustees regularly monitor the financial position and award of grants and carry out reconciliations of such activity.
- There is regular reporting to the trustees
- The Trustees are experienced and informed
- Records are maintained and referenced
- The Charities are compliant with GDPR and have a Privacy Notice link on the home page of its website
- The trustees meet regularly

9.2 The trustees would benefit from an overall Risk Assessment to include consideration for example: -

- Reputation
- Legal
- Financial
- Health and Safety
- Operational
- Continuity

9.2a The assessment should considers different types of risk, the likelihood and impact of the risk and assigns an overall low/medium/high risk rating, considers the people at risk, details the existing controls and lists any action required.

9.2b The assessment should include most of the risks you would normally associate with a charity of this size.

10 Conclusion of Progress on Recommendations made

10.1 When reviewing progress and further actions needed due consideration is given to: -

a) the voluntary nature of Trustees involvement

b) the extent of actual activity carried out in practically dealing with cases.

c) the extent of resources available of a voluntary (not paid for) basis to prepare and

introduce new governance policies/processes.

d) the extent of time available and professional expertise to research solutions.

10.2 It is for trustees to decide which are of priority, but in terms of risk I have provided a table below to help Trustees focus their efforts to either discount or deliver these policy changes.

Area	**Action required**	**Risk of not delivering**	**Risk Rating**
Finance	Introduce internal charity financial controls policy and procedures	No structure to determine awards	Med
Finance	Introduce financial reserves policy and procedures	Use of resources without guidance depleting ability to continue.	High
Finance	Sensitivity analysis on future withdrawal of investment funds to support revenue need.	Unplanned reduction in funds to deliver charity objectives	High
Health and Safety	Risk Assessment for each case worker visit	Sole working into potential risk areas without consideration of risk.	High
Discrimination	Introduce Equal Opportunities Policy.	Claims of unfair allocation of awards	Med
Finance	Introduce accounting system	Potential mis-posts, difficulty in cash reconciliation, difficulty for external audit to check.	Med
Risk	Introduce framework for assessing overall risk	Limited awareness of issues that could affect continuity.	Med
Policy	To review and implement recommended range of policies.	Potential for Trustees to be lacking in governance requirements.	Low