

Final Internal Audit Report

20122023

READING FOUNDATION FOR ART

This audit review is linked to the following Council priority and corporate risks:

- Inclusive Economy
- Failure to have appropriate oversight in place
- Failure to implement social inclusion agenda

Assurance Opinion		Identified Recommendations	
Limited Assurance 		Priority 1	2
		Priority 2	5
		Priority 3	2
Date of last review:	FIRST REVIEW	Direction of travel	N/A

Distribution List

To: Matthew Williams Museum Manager
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Cc: Keith Townsend Executive Director for Economic Growth and
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Statements & Disclaimers

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EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 Reading Foundation of Arts (RFFA) was established in 1974 as a registered charity, to either purchase, or assist Reading Museum in the purchase, of significant works for the benefit of the public, by inclusion in the permanent collection maintained by Reading Borough Council (RBC). Purchased works are permanently loaned to RBC for periodic display in Reading Museum and Art Gallery or any public building or place owned, leased or under the control of RBC, or to lend for the purposes of exhibition (following the same processes as all Reading Museum objects).
- 1.2 Historically, the Reading Borough Council Treasurer/Head of Finance was the Honorary Treasurer and main bank signatory for the charity; RBC held a separate bank account on behalf of the RFFA. The Council's finance function also provided support in kind to the charity, including sign-off of their financial accounts and insurance.
- 1.3 Trustee meetings are held two to three times a year, with an AGM in the autumn. There are three RBC representatives (the Museum Curator, the Finance Business Partner – Culture, and a retired staff members) that attend RFFA meetings (as officers not trustees) and deal with associated matters in between.
- 1.4 Acquisitions are reviewed and approved at trustee meetings following informal discussion by the acquisition sub-group and in accordance with the Foundation's Collection Development Strategy. All acquisition decisions require a quorum of trustees and cannot be made without liaison with the Museum's Curator of Art. Associated costs such as maintenance and insurance of items are borne by RBC. There is a declaration of trust ("deed") in place which provides various details. This states that RBC is responsible for the provision of insurance for the full value of the item in the name of the trustees.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The purpose of this audit was to undertake a review of RBC procedures involved in relation to the RFFA, ensuring that there was a clear scope of roles and responsibilities and assets and that the process, staff, assets and everything associated to these were properly discharged, with all processes required by RFFA compatible with those for RBC.
- 2.2 The review encompassed the following areas:
- Strategic direction – including alignment between the foundation's acquisition strategy and Reading Museum's Collection Development Policy.
 - Governance, roles responsibilities and communication – including appropriate oversight and interaction between RFFA and RBC, clearly

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documented agreement between RFFA and RBC, appropriate, regular reporting and filing as required and clear lines and regular communication between RFFA and RBC.

- Identifying and acquiring objects – including acquisitions made in consultation with Reading Museum, and taking account of maintenance, storage, security, and insurance costs.
- Assets – including clear records of acquisitions, and financial records to evidence all business activities which were up to date.
- Value /role of the RFFA collection in the museum's activities/public programme of activities.

2.3 This audit was conducted at the request of the Assistant Director, who had highlighted a number of concerns within this area.

3. CONCLUSIONS

3.1 There is a strong relationship between Reading Foundation for Art and the Council, which has been driven by the Museum Curator and the Honorary Secretary. The relationship between the Museum Curator and the Foundation is key, together with her knowledge, experience and oversight.

3.2 There is also clear alignment between the Reading Foundation for Art and RBC's strategic direction.

3.3 However, arrangements are still based on the original declaration of trust from 1974 and would benefit from review and updating to reflect current best practice.

3.4 There is a lack of clarity and documenting of roles and responsibilities carried out by RBC on behalf of the RFFA, with tacit knowledge of these held by a few individuals. There is a risk of tasks being overlooked, over-reliance on the Museum Curator, and loss of knowledge with the departure of key individuals. The lack of clearly understood and documented policies and procedures has led to issues with various finance processes.

3.5 There is no separate bank account for the RFFA, with their monies being held within the main RBC bank account. Identification and re-allocation of Foundation income is reliant on finance being informed of its arrival, correct identification and reallocation from the suspense account. There are also no documented or undertaken reconciliations for income or expenditure. There is therefore a risk that not all RFFA income is identified and transferred to the relevant cost code.

3.6 The year-end Foundation financial report and statement for 2022/23 are not due to be drafted until later in the year for consideration and approval at the November AGM. There also does not appear to be a common understanding as to whose responsibility it is (i.e., finance or the service) to ensure that the Museum service

EXECUTIVE SUMMARY

has up-to-date Foundation financial information, nor common agreement as to how often information should be provided to the trustees. Whilst a financial report for the first six months of 2022/23 was provided to the November 2022 RFFA trustees meeting, no supporting documentation for the figures provided was located centrally at the time of the audit.

- 3.7 There was also a lack of supporting documentation (including documented evidence of internal review and sign-off) and final versions of the 2021/22 financial report and statement presented to the trustees, held centrally. This has subsequently been partially addressed. There were some inconsistencies in figures between the centrally saved final financial report and statement and figures that had been submitted to the Charity Commission on the annual return at the time of the audit.
- 3.8 Insurance was based on details of items and values from 2018 with an annual inflationary uplift applied, with no updates provided to RBC's Insurance Team on RFFA-acquired items, detailing items held, their value, condition and location nor new acquisitions. There appeared to be a lack of clarity as to whose role and responsibility this fell under.
- 3.9 Loans paperwork was unable to be located during the audit for the item out via the corporate loan scheme nor the high-value item now returned to Reading Museum, although it has now been located in both cases. It was noted that the loans were detailed on the Modes Collection database.
- 3.10 However, RFFA collection items were highly valued and played an important role in Reading Museum's collection, with foundation-acquired items located throughout the museum, integrated within the wider museum collection. The RFFA items were a very important way of ensuring that the museum collection was continuing to be refreshed and updated on an ongoing basis.

MANAGEMENT ACTION PLAN

Control Objective	There is formalisation of the relationship between RFFA and RBC and regular review to ensure a common understanding of the relationship.		
Risk	Lack of clarity between the two organisations in relation to expectations, roles, and responsibilities, resulting in essential functions such as timely payments not being made, and associated reputational damage to the Council.		
Rec No	1	Risk Priority	2
Audit Recommendation			
<p>There should be an up-to-date agreement in place between the RFFA and RBC to formalise the relationship, detail roles and responsibilities of RBC in relation to the RFFA, work in kind and dependencies.</p> <p>Consideration should be given to conducting a regular review of the relationship between RBC and the RFFA to ensure a consistent understanding of roles and responsibilities and areas requiring further consideration/improvement etc.</p>			
Management Response			Responsible person
<p>Agreed. Legal services have been approached to support on producing the Agreement, which will include review points and clearly set out the roles and responsibilities of each party.</p>			Assistant Director of Culture
<p>Whilst a final method of working that is acceptable is worked up, RBC needs to ensure that an interim arrangement is in place that is in line with the findings of this audit and acceptable to RBC. This is primarily in the secretarial area which is an RBC role according to the RFA deed. In the interim, RBC should support the trustees by providing a secretarial offer to the RFA Board, to act as a point of contact, organise meetings, take and circulate minutes and actions, and ensure records are kept. This is especially important in this interim period as this role cannot default back to Museum staff, which would otherwise be a risk. However, the arrangement should ultimately be agreed with RFA. It may be that RFA could organise elements of this.</p>			Target date
			30/11/2024 (Subject to Legal capacity).

Risk	Up-to-date financial information and supporting documentation is not available increasing the risk of errors and fraud not being identified (in a timely manner).		
Rec No	2	Risk Priority	2
Audit Recommendation			
<p>If RBC continues to provide financial services for the Foundation, RBC Officers should agree with the trustees, and it should be clearly documented, as to how often the trustees should receive up-to-date financial reports and at which of the trustees' meetings there should be financial representation.</p> <p>There should be a consensus between relevant RBC Officers as to whose responsibility it is to run Oracle transaction reports for Foundation cost centres to enable timely review of transactions and chasing of outstanding payments/income reallocation as appropriate.</p> <p>Final and supporting documentation should be stored centrally in a single location, with clear version control for documents and supporting documentation retained to evidence how all figures have been arrived at.</p>			

MANAGEMENT ACTION PLAN

Management Response	Responsible person
Agree with the actions; however, as part of the review of the Agreement consideration will be given to whether RBC continues to offer financial services to RFFA and whether they continue to be free of charge.	Financial Planning and Strategy Manager
	Target date
	Subject to discussions about the Council's role in the financial arrangements of the RFFA 30/10/2024 in line with the new Agreement.

Risk	Lack of clearly documented roles and responsibilities, increasing the risk of misunderstandings and key functions being omitted, resulting in financial loss and reputational damage.		
Rec No	3	Risk Priority	2
Audit Recommendation			
<p>Roles and responsibilities for all honorary roles should be clarified, clearly documented and regularly reviewed and updated as appropriate. Consideration should be given to updating job descriptions/specifications to reflect current roles including those relating to the RFFA, if these are to be continued by RBC Officers.</p> <p>Consideration needs to be given as to whether it is appropriate for these roles to continue to be fulfilled by RBC Officers going forward and, if so, who are the appropriate Officers to undertake these roles.</p>			
Management Response	Responsible person		
<p>The Honorary Secretary and Treasury Roles are not Museum functions. The role of the Museum Curator as a consultee is key and will remain so. However, this needs to be defined as part of the new Agreement. Consideration will be given to whether these should remain as RBC roles and a proposal recommended to the RFFA.</p> <p>Whilst a final method of working that is acceptable is worked up, RBC needs to ensure that an interim arrangement is in place that is in line with the findings of this audit and acceptable to RBC. This is primarily in the secretarial area which is an RBC role according to the RFA deed. In the interim, RBC should support the trustees by providing a secretarial offer to the RFA Board, to act as a point of contact, organise meetings, take and circulate minutes and actions, and ensure records are kept. This is especially important in this interim period as this role cannot default back to Museum staff, which would otherwise be a risk. However, the arrangement should ultimately be agreed with RFA. It may be that RFA could organise elements of this.</p>	Reading Libraries and Museum Manager		
	Target date	30/11/2024 (Subject to Legal capacity).	

MANAGEMENT ACTION PLAN

The following recommendations are subject to the outcome of the decision as to whether RBC Officers will continue to fulfil various roles relating to the RFFA going forward.

Risk	Lack of resilience and over-reliance on one individual, leading to loss of key knowledge, damage to the relationship with the RFFA and reputational damage and loss to RBC.		
Rec No	4	Risk Priority	2
Audit Recommendation			
<p>There should be a reduction in the reliance on a sole individual, particularly where there is a significant amount of tacit knowledge and building in an appropriate level of resilience/succession planning. This should include review of RBC’s involvement in the RFFA acquisition process and how it aligns with RBC’s acquisition process.</p>			
Management Response	Responsible person		
<p>Agreed –We will need to review our processes to ensure there is resilience.</p> <p>Note the treasurer role is being covered by finance. However, relates to action in Rec 1 and 2.</p>	<p>Reading Libraries and Museum Manager Museum Manager</p>		
	Target date		
	<p>Subject to discussions about the Council’s role in the secretarial arrangements of the RFFA</p>		

MANAGEMENT ACTION PLAN

Control Objective	There are clearly documented, up-to-date, policies and procedures in place which are readily available, up to date, understood and implemented.
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Risk	Policies and procedures are not documented or not up to date, increasing the risk of inconsistent and inappropriate practice and resultant challenge and associated reputational damage.
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Rec No	5	Risk Priority	3
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Audit Recommendation

Consideration to be given to reviewing and updating as necessary the RBC Collections Management Manual.

Finance processes relating to the RFFA should be clearly documented. This should include processes for income and expenditure reconciliation.

Management Response	Responsible person
The Manual is part of the Museum's Accreditation with Arts Council England and a review of the relevant procedures will be carried out.	Museum Manager Strategic Finance Business Partner – DEGNS
	Target date
Finance process will be documented; however, this will be subject to discussions about the Council's ongoing role in the financial arrangements of the RFFA.	Collection procedures – 31/3/2024 Finance processes - subject to discussions about the Council's role in the financial arrangements of the RFFA. November 2024 in line with the new Agreement.

Control Objective	There is up-to-date financial information and reports available to RFFA trustees to enable them to be able to effectively plan their acquisitions.
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Risk	Financial reports are not reviewed and approved, leading to errors, omissions and misstatements of the financial accounts.
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Rec No	6	Risk Priority	2
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Audit Recommendation

There needs to be clear, documented evidence that financial reports and the year-end financial report and statement have been appropriately reviewed and approved by RBC Finance prior to being submitted to the RFFA trustees for approval and to the Charity Commission, which is retained centrally.

It needs to be ensured that those authorising payments have original supporting evidence of trustees' explicit prior approval of the payment attached, for example, a copy of the minutes where approval was given.

Management Response	Responsible person
Finance process will be documented; however, this will be subject to discussions about the	Strategic Finance Business Partner – DEGNS
	Target date

MANAGEMENT ACTION PLAN

Council's ongoing role in the financial arrangements of the RFFA.	Subject to discussions about the Council's role in the financial arrangements of the RFFA 30/11/2024 in line with the new Agreement.
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Risk	Additional costs as a result of acquisition are not considered, leading to increased financial commitments for RBC.		
Rec No	7	Risk Priority	1
Audit Recommendation			
<p>Consideration should be given to additional costs resulting from acquisitions, such as maintenance, conservation, security, and insurance, as part of the acquisition process.</p> <p>The RBC insurance team should be informed of all acquisitions in a timely manner so that insurance cover can be amended as appropriate. A regular (i.e., annual) list of RFFA collection items detailing value, condition, storage, when on public display, photographs etc. plus largest loss items should be provided, if required, to the RBC insurance team plus details of any revaluations.</p> <p>An annual asset verification exercise should also be carried out to verify the existence and location of items.</p>			
Management Response		Responsible person	
<p>Agreed – to be picked up as part of new Agreement. The Museum will take the responsibility to inform Insurance and will send an updated list to insurance.</p> <p>The Museum carries out an annual internal asset verification exercise based on a spot-check criteria of the Museum's over 500,000 items.</p> <p>It is proposed that a similar approach is adopted for the RFFA's 300 assets on loan to the Council.</p> <p>Consideration needs to be given as to recharging the RFFA where the Council incurs additional costs as a result of RFFA actions e.g., increased insurance costs and this is a financial/insurance decision.</p>		Museum Manager	
		Target date	
		3/12/2023 (annual valuation list to insurance)	
		31/12/2023 (next internal asset verification exercise)	

MANAGEMENT ACTION PLAN

Control Objective	Assets are held separately in the name of the RFFA and are readily identifiable.
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Risk	RFFA assets are not readily identifiable leading to an increased risk of misappropriation and fraud and associated reputational and financial damage to the Council.
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Rec No	8	Risk Priority	1
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Audit Recommendation

It is recommended that if RBC continues to provide financial services for the Foundation, RFFA cash should be held in a separate bank account in the name of the RFFA so that income and expenditure relating to the Foundation is easily and readily identifiable.

Further discussion and agreement should be sought from the RFFA trustees in relation to this and, if in agreement, this should be progressed with Lloyds Bank.

Any RBC Officers carrying out finance roles on behalf of RFFA should ensure that there is appropriate liability cover in place.

Management Response	Responsible person
<p>If the Council were to continue to offer financial services to the RFFA, then the option of a separate bank account will need to be re-considered and appropriate discussions will commence with the RFFA as part of the new Agreement.</p> <p>In the interim, we will work with Insurance to put in place appropriate liability cover in place. Consideration needs to be given as to recharging the RFFA where the Council incurs additional costs as a result of RFFA actions e.g., increased insurance costs.</p>	Financial Planning and Strategy Manager
	Target date
	30/11/2024 (Subject to Legal capacity)

Risk	Items out on loan are not clearly documented and/or have appropriate checks in place increasing the risk of misappropriation of the item and financial and reputational damage to the Council.
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Rec No	9	Risk Priority	3
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Audit Recommendation

Loan and associated paperwork should be easily and readily available for all RFFA-purchased and part-purchased items.

Management Response	Responsible person
<p>Agreed. Reviewing that filing process is clearly documented in the relevant collection procedures and are followed by staff.</p>	Museum Manager
	Target date
	31/03/2024

4. FINDINGS

4.1 STRATEGIC DIRECTION

- 4.1.1 The Reading Foundation for Art (RFFA) had a Collection Development Strategy in place which detailed the strategic principles for RFFA collecting between 2020-2025 and the process to follow for proposed acquisitions.
- 4.1.2 Review of RFFA's Collection Development Strategy, Reading Museum's Collection Development Policy and Reading Museum's collection strategy in relation to the RFFA identified that there was clear alignment between them, with a focus on actively collecting contemporary work and small-scale sculpture, studio craft and prints.
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4.2 GOVERNANCE, ROLES AND RESPONSIBILITIES

- 4.2.1 The RFFA was included within the action plan for Reading Museum Forward Plan 2020-2025 and formed part of the action to be taken to work in partnership and actively engage Reading's diverse communities with Reading Museum's collections and services.
- 4.2.2 However, there was no formal agreement in place between the RFFA and RBC (other than the original 1974 declaration of trust) formalising the relationship, and areas such as RBC Officers' roles and responsibilities, dependencies and work in kind carried out (**Rec 1, 3**), nor formal review meetings to ensure that aims were being met and that roles and responsibilities were clear (**Rec 1**). Roles and responsibilities carried out by RBC were not clear in all cases (i.e., finance) and were not clearly documented in any instance, with summaries provided in RFFA overview and financial support review documents (**Rec 3**). Understanding was based on tacit knowledge, with the risk that some roles were overlooked. It is recommended that the relationship between the RFFA and RBC is reviewed to include clarification, mutual agreement and documentation of roles and responsibilities.
- 4.2.3 No RBC councillor or Officer was a trustee of Reading Foundation for Art. At the time of the audit, the roles of honorary secretary and treasurer were occupied by RBC officers, the former by a retired staff member who had been retained on a casual basis solely to continue to carry out this role, although this was currently being covered by the Museum Curator due to the absence of the honorary secretary due to ill health (**Rec 3**). Discussion with the Museum Manager identified that there was a good working relationship between RFFA, the curator and the secretary, with clear lines of communication, although consideration needed to be given as to how to replace the latter, whether Officers were of an appropriate level of seniority and also to streamline the finance support (**Recs 3, 4**).

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- 4.2.4 The Museum Curator carried out her RFFA responsibilities as part of her RBC role. It was noted that the museum collection consisted of more than 9,000 items, with circa 300 attributed to the RFFA, and hence only formed a small part of the Museum Curator's role. Over time, since the Foundation was established, the involvement of Senior RBC Officers with the Foundation (particularly relating to finance) had diminished (**Rec 3**).
- 4.2.5 The Museum Curator worked closely with the trustees throughout the year to determine what artwork to acquire, how and when, with the aim to build a collection together and was involved in all acquisitions. She met regularly with the RFFA's acquisition sub-group to discuss strategic direction and potential acquisitions which were then formally reviewed and considered for approval at trustee meetings.
- 4.2.6 There was a key dependency on the Museum Curator, further increased by the ongoing absence of the Honorary Secretary, who needed to be replaced. This was in terms of knowledge and oversight of potential acquisitions, alignment of the two organisations' strategies, and also continued maintenance and strengthening of the relationship between the Council and the RFFA (**Rec 4**). The Museum Manager was reliant on the Museum Curator to act as a conduit between the Foundation and RBC, both due to the absence of formal review meetings between the organisations and also as not all RFFA meetings and discussions were minuted (**Rec 4**).

Finance

- 4.2.7 The RFFA finance role within RBC, to represent the Director of Finance, had been delegated from the Strategic Finance Business Partner – DEGNS to the Finance Business Partner - Culture. Her role/responsibilities were discussed during one-to-ones with the Strategic Finance Business Partner, who was involved at the year-end in the review of the financial statements. The finance processes relating to the Foundation were not documented (**Recs 3, 5**).
- 4.2.8 The Finance Business Partner provided financial support to the RFFA, dealing with charity returns, reconciliations, payments, receipts, and drafting financial accounts. She also drafted the year-end financial figures and presented these at the trustee's November AGM, liaising with the stockbroker to obtain details of valuations on the stockholdings.
- 4.2.9 RFFA Payments were made via RBC's faster payment process, with RBC's Museum Curator emailing the relevant invoice to the Finance Business Partner, with approval to pay given by the Museum Manager. Approval was based on trust as he neither attended nor received an original copy of the relevant trustee meeting minute approving the expenditure with the authorisation request (**Rec 6**). More recently, communications requesting approval often detailed the

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relevant minute, although this had not occurred in all cases. However, an original copy of the relevant minute was not attached to the request for easy referral, nor did the minute referred to always provide explicit approval for the purchase being requested.

- 4.2.10 There were invoices for Foundation payments made in 2022/23 with a faster payment form completed, and subsequent internal RBC sign-off of the expenditure and that payment had been made. However, as highlighted in a discussion with the Museum Manager, there were a number of historical instances where payment had been (significantly) delayed. Details of faster payment requests made were held by the Finance Business Partner on the accountancy shared drive, with the associated supporting documentation held in a restricted access folder within that drive (**Rec 2**).
- 4.2.11 The Finance Business Partner prepared the annual financial accounts. The 2022/23 had not been drafted at the time of the audit; however, the 2021/22 financial accounts had been prepared and the 2021/22 charity return was submitted to the Charity Commission on time in January 2023, although the figures used did not agree to those presented to the trustees at their AGM (**Rec 6**). Documentation would benefit from version control to ensure that it was clear which were the latest/final versions.
- 4.2.12 No documented evidence was located by internal audit that the 2021/22 financial report and statement had been reviewed and approved internally prior to being received at the November 2022 AGM or before submission to the Charity Commission (**Rec 6**). On further inquiry, evidence was provided of a request for the Financial Planning and Strategy Manager to review and approve the 2021/22 Financial Statement and Report prior to submission to the Charity Commission. Internal Audit was advised that verbal approval was given, although this was unable to be substantiated.
- 4.2.13 Finance documentation relating to the RFFA was saved on the accountancy shared drive; however, at the time of the audit, the versions and associated workings saved relating to the 2021/22 financial statements and accounts were not the final versions submitted for review to the AGM, nor was supporting documentation located for all figures (**Rec 2**). There was also inconsistency between the final financial report and the statement. Following further inquiry, further documents and supporting documentation were provided. However, it should be ensured that there was clear version control of documents, and all supporting documentation was retained centrally on completion of drafting the relevant year's accounts so that a clear audit trail was maintained and readily accessible in case of subsequent queries.
- 4.2.14 It was understood that financial updates were provided to the trustees at their meetings, drafted by the Finance Business Partner. It was noted during separate discussions with the Finance Business Partner (FBP) and the Museum Curator

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that there was no consistency in understanding as to when the FBP attended trustees' meetings and provided finance reports and whether this was at every meeting or only once a year (**Recs 3, 5**). The requirements in relation to this need to be discussed and agreed as part of the review of the relationship between the RFFA and RBC and clarification of roles and responsibilities (see 4.2.2, **Recs 1,3**).

- 4.2.15 Review of the finance report provided to the November 2022 trustees meeting showed the surplus funds available as of 1st September 2023 with income and expenditure to date in the year reflected; however, no supporting information was located centrally on the shared drive for the report at the time of the audit (although this has subsequently been partially addressed), and it was difficult to verify the bank balance (**Rec 2**).
- 4.2.16 There also did not appear to be clarity in relation to insurance for the RFFA acquired collection and whose responsibility it was to ensure that insurance reflected current collection items and values including any acquisitions (see sections 4.3.7 and 4.4.5) (**Rec 3**).

4.3 IDENTIFYING AND ACQUIRING OBJECTS

- 4.3.1 The RFFA was established to use the income from investment to purchase or assist in the purchase of works of art or other archaeological, historical or scientific interest objects for public benefit by inclusion in RBC's Permanent Collection.
- 4.3.2 The RFFA Declaration of Trust detailed that RFFA purchases, or contributions towards purchases, should also be made on the advice or after consultation with those having the power to purchase works of art on behalf of RBC. The Reading Museum Collection Development Policy identified that this should be undertaken by the Acquisition Group or a quorum of three members of the group, with purchases in excess of £20,000 or where large resources need to be made available in order to acquire an item or care for it long-term, the full museum management team and/or Assistant Director must ratify the acceptance. Purchases must be made in accordance with the Council's financial regulations. Purchased works of art were permanently loaned to RBC and displayed from time to time in Reading Museum and Art Gallery or any other public building or place where RBC is the owner or lessee or under its control.
- 4.3.3 The RFFA deed also detailed that RBC could lend out any purchased works of art for a reasonable period of time within or outside the UK subject to any terms and conditions deemed necessary to ensure the safe custody and return of the item.

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- 4.3.4 Collection development was based on proactive collection and alignment of the RFFA with Reading Museum. During a tour of the museum with the Museum Curator, internal audit observed that there were RFFA-acquired items throughout the museum, integrated within the wider museum collection.
- 4.3.5 It was understood that the Museum Curator was involved in all RFFA acquisitions and helped shape what was to be collected. It was noted in discussion with both the Museum Curator and Museum Manager that the Museum Curator worked closely with the RFFA trustees to help determine the items for RFFA to acquire, when and how to build an art collection together, as well as RFFA acquiring Contemporary Art Society (CAS) membership. However, this was not in alignment with Reading Museum's acquisition policy, where no one member of the museum staff should make a decision to accept a particular item into the collection, although the final decision to acquire was taken by the Foundation trustees (**Rec 4**).
- 4.3.6 The Foundation acquisitions sub-group (not minuted) discussed potential acquisitions and proposals, which were then presented to trustees at their ordinary meeting for further discussion and decision. It was understood that the Museum Curator steered acquisition discussions with the selection of items following RFFA's acquisition strategy acquisition criteria which was aligned with Reading Museum's Collection Development Strategy. RFFA
- 4.3.7 In discussion with the RBC Insurance Manager, it was noted that the RBC insurance team had not recently been notified of acquisitions, with the value of the collection based on historic (2018) value plus a 3% annual inflationary uplift (**Rec 7**). The RBC collections management plan detailed the conservation plan and security arrangements that were followed for museum collection items, including those purchased by the RFFA.
- 4.3.8 The Museum's Collection Manual had a specific section for RFFA and detailed that once items are purchased by the RFFA, they were given on permanent loan to Reading Museum and then follow Reading Museum's policies and procedures (including the RBC Collection Management Process). The majority of the manual's sections had dates either of last or next due review. However, some sections (for example acquisitions, loans out, object movement and cataloguing procedural manual) did not appear to have been reviewed for a number of years, although it was noted that they remained the same (**Rec 5**).
- 4.3.9 Discussion with the Museum Manager identified that RFFA either purchased items outright which were then on permanent loan to the Museum (as detailed in the RFFA deed), or they made a contribution to the Museum towards a purchase; in the latter case, the item was owned by the museum. All items had an individual Modes¹ record holding all information relating to the item and detailing whether it was an

¹ Collections management software for UK Museums

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RFFA purchased item or not. Audit testing of two items purchased by the RFFA confirmed that they had individual records on Modes, together with their accession numbers, details of when they were transferred to the museum, that they were RFFA-acquired items, their location (including a record of all movements of the items since acquisition), valuation and whether they were out on loan. However, it was noted that no regular asset verification exercise was conducted to confirm items were located where detailed on Modes (**Rec 7**).

4.4 ASSETS

- 4.4.1 Discussion with the Finance Business Partner identified that income and expenditure was noted as part of the annual accounts preparation process, although a detailed record of this was not required by the Charity Commission as RFFA's income was under the threshold.
- 4.4.2 Income relating to the RFFA tended to be received via RBC's suspense account (**Rec 8**), with its identification reliant on the Museum Curator contacting the Finance Business Partner and identifying any donations (**Rec 8**). Therefore, there was a risk that not all income was identified and transferred to the relevant cost code. Dividends tended to be received via the post room in cheque form which were automatically charged to RFFA's cost centre. No evidence of supporting paperwork for income (other than dividends) was located centrally at the time of the audit (**Rec 2**).
- 4.4.3 There was also a lack of consistent understanding between finance and the Museum service as to whose role and responsibility it fell under to run transaction reports from Oracle Fusion² to enable timely review of income and expenditure. This needed to be agreed and documented (**Rec 3**). Where there were delays in payments/income recognition, this was only identified either when suppliers made contact chasing payment or when the annual financial report and statement or current year financial report were presented at trustees' meetings (**Rec 2**) as no reconciliation for either income or expenditure was documented or carried out (**Rec 5**).
- 4.4.4 The RFFA no longer held a separate bank account unlike previously (**Rec 8**). The funds had been transferred to the RBC main bank account, with transactions recorded on separate balance sheet cost codes on Oracle Fusion². Further inquiry identified that at the Foundation's 2019 AGM, it was agreed, that as long as there were no risks involved, the Foundation would continue to use the Council's facilities and not open a separate bank account. However, subsequent to this, a former RBC Chief Accountant had indicated it was preferable for the Foundation to hold a separate bank account from that of RBC. This had started

² RBC's finance system

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to be actioned but had been put on hold due to the coronavirus pandemic in 2020. No further progress had been made on this since that time (**Rec 8**).

- 4.4.5 The Finance Business Partner identified that the stockbroker had previously held some cash on behalf of RFFA; however, it was understood that whatever had not been reinvested had now been returned to the RFFA (note that internal audit had not independently confirmed the return or the amount). It was understood that all stocks and shares were held by Redmayne Bentley, with the previous portfolio held by Charles Stanley now held and managed by Redmayne Bentley.
- 4.4.6 It was understood that the Finance Business Partner received a report from the stockbroker on a six-monthly basis to enable reconciliation to be completed. Discussion with the Museum Curator identified that the RFFA collection was valued on a four-yearly basis, with the revaluation process currently underway and to be discussed at the next trustees' meeting.
- 4.4.7 RFFA purchased items were insured as detailed as a requirement in the RFFA deeds. The RBC Insurance Manager identified that RBC maintained "all risks" cover on a Traveler's policy for 2023/24, with the value of the cover a historic figure from 2018 with 3% inflation applied annually. Insurance had not been provided with details of subsequent acquisitions to the collection, up-to-date valuations nor a list of the largest loss items. They were also not provided with an annual update on the collection detailing items, value, condition, storage, when out on display, photographs of the items, etc (**Rec 5**).
- 4.4.8 There was a documented process for loaned-out items and a flowchart to follow. A loan request was considered by the Museum Acquisition Group, and, if approved, an agreement was drawn up with the requestors and signed off by them and RBC. The requestors bore costs such as insurance, transportation, and any required conservation.
- 4.4.9 Each individual object had a record in the Modes¹ database, which included detailing when an item was loaned out and returned (i.e., a separate exit record was completed for loans). Testing of two items, one of which was out on corporate loan and the other of which had now been returned, failed to locate the relevant loan/former loan paperwork (**Rec 9**). However, subsequently, the loan agreement, condition reports and details of a revised valuation of the work was located for a painting that had been loaned to another local authority's art gallery and the exit form for an internal loan. No paperwork was located for an item that had been out on loan under the corporate scheme, although it was noted in discussion with the Museum Curator that the item had been inspected whilst out on loan (**Rec 9**).

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4.5 VALUE/ROLE OF RFFA COLLECTION

- 4.5.1 The RFFA collection was highly valued and played an important role in the museum's activities/public programme of activities. It was noted that the RFFA provided a way to purchase or assist in the purchase of items for Reading Museum now that there was no longer an acquisition fund to enable this and there were limited sources of funding.
- 4.5.2 The Museum Manager identified that the RFFA's purchase of CAS membership had enabled the acquisition of various contemporary artworks and RFFA's contributions towards purchases had also added value by enabling items to be purchased that would not otherwise be affordable.
- 4.5.3 The RFFA purchased items for Reading Museum that were displayed there or loaned out via the appropriate process. The museum could use purchased items as it thought best for display, plus there was a specific area for an RFFA item in the Museum. As noted earlier, internal audit observed that there were RFFA-acquired items displayed throughout the museum, integrated within the wider museum collection (see 4.3.4).