

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Place and Economy
C.C. Chief Executive
Deputy Chief Executive
Business Manager (Enterprise)
Head of Finance
Portfolio Holder (Cllr Cooke)

SUBJECT: Enterprise Facilities
DATE: 27 January 2022

1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 Enterprise Facilities has previously been audited as part of the Economic Development audit.
- 2.2 Enterprise facilities provides an opportunity for partnership working and the facilities for local businesses to use an office or meeting space without the overhead costs or expenses of having their own office. Some of the facilities are let on a short term basis whereas others have annual agreements.
- 2.3 The buildings and office space managed by the Enterprise Team include 29 offices, 30 'hot desks' and 9 larger spaces such as the arches.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The audit was undertaken to test the management and financial controls in place. This was achieved through a 'risk-based audit' approach whereby key risks are identified and then processes are assessed to provide assurance that the risks are being managed effectively. This approach has been in place by WDC Internal Audit since only the start of this financial year following an external review of the function.
- 3.2 In terms of scope, the audit covered the following risks:
- Budgets are not adhered to or are poorly managed.
 - Goods and services are procured incorrectly and don't follow procurement processes.

- Under resourced/lack of staff cover could result in a poor or non-existent service.
- Fees and charges are advertised incorrectly resulting in customers being charged the wrong amount.
- Debts are incorrectly raised.
- Facilities used inappropriately by tenants.
- Procurement cards are not kept securely or used appropriately.
- An up-to-date inventory is not held.
- The sites are not secure or are unsafe.
- The risks associated with providing the facilities have not been considered or shared with management.

3.3 Potential risks were also identified in the Significant Business Risk Register, the departmental risk register, and discussion between the Internal Auditor and the Business Manager.

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- Enterprise facilities directly supports the 'external' money theme of the new Fit for the Future (FFF) strategy document.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in January 2018 was also reviewed. The current position is as follows:

Recommendation		Management Response	Current Status
1	Separate orders should be raised where work or items over and above the normal contracted works are procured from contractors.	A new practice will be introduced to ensure that separate orders are raised where appropriate.	No concerns were noted regarding the contracted work completed.
2	Formal health and safety assessments should be organised with the Building Manager and Health & Safety Coordinator.	The Building Manager and Health & Safety Coordinator will be contacted to request formal health and safety assessments.	The risk assessment in place has been shared with the appropriate health and safety officer.
3	Budgets should be included for legal fees for each relevant facility.	Agreed. Financial Year 2018/19: Virements will be undertaken where needed to ensure that all projects have planned budgets (first review at	Budgets are allocated for legal fees as appropriate.

	Recommendation	Management Response	Current Status
		budget monitoring process). From Financial Year 2019/20: Legal fees (contingency) will be set across all projects.	

4.2 Financial Risk

4.2.1 Budgets are not adhered to or are poorly managed.

A review was completed of the budgets covering the various locations and cost codes managed by the Enterprise team. All spending was within budgets apart from a cleaning budget for one of the offices that had re-opened allowing staff to return to work. Due to the ongoing pandemic extra cleaning costs had been incurred to help keep the building safe for both Council staff and tenants.

The Business Manager monitors the budgets on a monthly basis liaising with the accountant to address any variances or anticipated concerns. Meetings are also held twice a year to go through budget setting, for the following year, and to review the status of the budgets for the current year.

There are three legal processes currently ongoing for the completion of new leases. The fees incurred are recoverable from the new tenant. Legal fees are difficult to budget for as they can vary with them frequently showing a £0 spend for the year. The Accountancy Team in Finance are aware of this and adjust the budgets as needed to accommodate fees when needed.

4.3 Legal and Regulatory Risks

4.3.1 Goods and services are procured incorrectly and don't follow procurement processes.

A review was completed of the purchases made and orders placed with suppliers to ensure the Code of Procurement Practice is followed and, where relevant, quotations have been received.

An extract from TOTAL (the finance system in place up until October 2021) was used to view the orders and purchases made across the various enterprise facilities cost codes. Purchases were for small amounts for key cutting and replacement of items such as printer ink, cleaning products and dishwasher consumables. The highest spend was £70.21 for a roller blind. All purchases followed the relevant procurement routes and procedures.

4.4 Reputational Risks

4.4.1 Under resourced/lack of staff cover could result in a poor or non-existent service.

The recruitment process is led by the Business Manager. At present there is a part-time vacancy being advertised so the job specification and role details were readily available. The information clearly set out the expectations of the role and provide a point of contact should they have any questions.

At present there is one full-time member of staff and one part-time member of staff as well as Business Manager who works full-time. The vacancy is for a part-time role. The two part-time roles together make up a full-time equivalent.

The staff are office-based at the Enterprise Hub and are key holders so they need to arrive to open the building ready for customers. They are key holders for the AEH office so they arrive before the customers to ensure the building is open and ready to use.

Over recent years overtime has not been worked by the staff as they have been able to cover the operational hours of the business between them. There may be a risk that the operational hours could be uncovered if staff members were to be on annual leave or off work sick, this risk is increased with the vacancy as there are less staff available to provide cover. Planned holidays are generally covered by the staff working flexibly but within their contracted hours.

4.4.2 **Fees and charges are advertised incorrectly resulting in customers being charged the wrong amount.**

There is a website for the enterprise facilities which displays the fees and charges of the office and desk hire. The prices published match the fees and charges agreed at Cabinet on 17th November 2020. For the co-work arch the charges start at £3.50 for one hour and go up to £270 for a month's hire of a desk. Offices are also leased out on a longer-term basis at Hamilton Terrance, Spencers Yard and the Enterprise Hub, these prices vary dependant on the size of the space.

The staff use a spreadsheet to keep track of the leased and rented desks and offices which holds the up-to-date fees and charges. These also matched the published prices. The spreadsheet is used to create the invoices.

Some out-of-date information regarding the co-work arch was on the website but it was corrected during the audit.

4.4.3 **Debts are incorrectly raised.**

A selection of invoices for hire or licence charges was reviewed on TOTAL. The appropriate fee had been charged and the payment had been received in a timely manner for the whole selection. Invoices included the fee or charge for rental, any legal costs, service charges and the deposit required.

There is an outstanding debtor accounts automated report which is run and shared each month with the Business Manager. The report shows where payments have been missed which were due on the 1st of the month. The Enterprise team all have access to the report and make contact with the tenants to request the payment. Often it is just an oversight and the payment is promptly made.

Only one example was identified where a tenant account had defaulted. As the tenant has left the office the debt is now being pursued through other channels. The FSTeam are involved in the recovery process and had instructed the debt collectors to recover the debt. Unfortunately, this had been unsuccessful so court proceedings have been actioned.

4.4.4 **Facilities used inappropriately by tenants.**

The terms and conditions are not published on the website but are provided as part of the agreement. This ensures the right terms are provided for the location and that the most up to date ones are always issued.

Copies of the terms and conditions and licences for the offices were reviewed. Where needed there is also a keyholder agreement to complete. The terms set out the expectations of the tenant and the Council and provide the relevant information such as costs and payment dates as well as any relevant keyholder and access information.

4.5 **Fraud Risks**

4.5.1 **Procurement cards are not kept securely or used appropriately.**

There are two procurement cards for the service - held by the Business Manager and The Enterprise Customer Liaison Officer. The cards are kept on their person in their purses or handbags. The cards are never left in an office drawer or other unsecure location. Both officers are contactable by phone so if there is something that needs purchasing urgently, they can arrange payment. There is usually one of the card holders working, as they are both full-time, so this isn't perceived as a risk or concern.

The procurement cards are used appropriately, although over the last year the cards have been used infrequently due to the ongoing pandemic. Instead, an Amazon business account has been set up allowing the staff to make contactless purchases. Purchases made through this account have been valid and small items which would normally be brought using the procurement cards.

4.5.2 **An up-to-date inventory is not held.**

An inventory provided for the Enterprise Hub. The last update was completed on 3rd August 2021. It details furniture, electrical items and larger office equipment. The inventory details the items allocated to each office complete with notes where chairs or other equipment has been moved from or to a different location.

There are no inventories held for the rented offices at 26HT as the items are mostly supplied by the tenants. Other items supplied by the Council are under £50 so do not need to be listed on an inventory.

There is an inventory for the co-work arch but this has not been updated for over 18 months as the arch has been closed due to lockdown. There are plans to re-open it in the spring of 2022 and update the inventory then.

4.6 **Health and Safety**

4.6.1 **The sites are not secure or are unsafe.**

The security of the site is maintained by having nominated key holders who open and lock up the offices for business hours, 9am – 5pm Monday to Friday. The regular tenants are provided with key fobs or codes which enable them to access restricted areas so they can use their office within the Enterprise Hub outside of the core times. Out of business hours, if there is an incident or an issue, for example if an alarm is activated, WCS Security are alerted and, as key holders, they are able to attend the property and ensure it is secure.

The co-work arch is normally open from 9am until 5pm. However, the ongoing pandemic has meant it has not been used for over 18 months so it has remained locked. Under normal conditions monthly subscribers to the co-work arch pay a deposit and sign a keyholder agreement which allows them 24-hour access.

The offices at Hamilton Terrace and Spencers Yard are leased over longer terms so the tenants hold keys, letting themselves in as required.

Key holders are required to sign a keyholder agreement and pay a deposit. This varies between £500 and £2500, or three months' rent, dependent on the office size and location. The deposits are held securely.

There is CCTV installed inside and outside of the Enterprise Hub and outside of the Arches. These can be monitored from secure areas within locked rooms.

There is also an alarm at the Enterprise Hub. Should it be activated during out-of-office hours (5 pm-9 am) WCS Security are notified and will attend.

There are signing-in books for visitors. No meetings have been held for 18 months due to Covid so there are no entries.

In case of fire there are fire wardens to ensure the rooms and offices are clear. The rented offices are responsible for managing their method of signing in and staff logs.

4.7 **Other Risks**

4.7.1 **The risks associated with providing the facilities have not been considered or shared with management.**

Enterprise facilities was previously managed within Development Services until August 2021 when it was moved to Place and Economy. The Place and Economy risk register covers generic risks appropriate to the enterprise facilities as well as specific risks. The register was last updated in August 2021 and includes risks such as: loss of tenants, lack of insurance and network rail selling the leasehold for the arches.

There is a Covid risk assessment in place for the offices rented out at the Enterprise Hub and for the staff that are based there. It sets out controls in

place to help reduce the spread of Covid. The assessment was last reviewed in October 2021 and has a follow-up review date of Oct 2022.

Other locations are rented out longer term as whole offices so it is up to the tenants to ensure they have a relevant risk register in place. There is not an up-to-date risk register in place for the co-work hub as the hub has been closed due to Covid restrictions. It is expected that it will be able to reopen in the spring, at which point a full risk assessment will be completed.

It was agreed that the Business Manager would carry out the risk assessment and then pass it to the Facilities Manager for further actioning and to input it on to Assessnet (the risk register software used by the Council). Using the search function on Assessnet, a search was completed, but the risk assessment could not be found. This may not be because the assessment hasn't been uploaded but because the search function is poor so unless the correct title is input the assessment can be difficult to be found. The risk assessment is available on the shared drive and a copy is issued to tenants.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Enterprise Facilities are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 There are no recommendations arising from the review and therefore no action plan is included with this report.

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