

FROM: Audit and Risk Manager **SUBJECT:** Royal Spa Centre
TO: Head of Place, Arts and Economy **DATE:** 17 February 2023
C.C. Chief Executive
Head of Finance
Arts Manager
Programming & Marketing
Manager
Customer Services Manager
Technical & Facilities Manager
Portfolio Holder (Cllr Bartlett)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2022/23, 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 The Royal Spa Centre (RSC), the Council's main entertainment venue, opened in 1972. It comprises a main concert / exhibition hall and a cinema / small theatre. Other parts of the building are also available for hire.
- 2.2 The RSC provides a wide range of events covering the whole entertainment spectrum including concerts, pantomime and productions by local amateur musical organisations.

3 **Objectives of the Audit and Coverage of Risks**

- 3.1 A 'risk-based audit' approach has been adopted whereby key risks have been identified during discussion between the Internal Auditor and key departmental staff and upon review of the Significant Business Risk Register and the relevant Departmental Risk Register.
- 3.2 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. The findings detailed in the following sections confirm whether the risks are being appropriately controlled or whether there have been issues identified that need to be addressed.

3.3 In terms of scope, the audit covered the following risks:

1. Misappropriation of income.
2. Inappropriate procurement practices.
3. The venue operates within the terms of its Premises Licence.
4. The choice and content of performances, screenings and events has potential to cause offence to the public.
5. The venue presents a range of high-profile community events.
6. Processing of large 'settlement' payments to promoters and hirers
7. Violence against staff.
8. Accidents in the workplace including staff, customers and visiting companies.
9. Building access and security.
10. Business continuity and resilience.

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:

The provision of entertainment helps to make the district a great place to live, work, and visit.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the previous audit reported in September 2017 were also reviewed. The current position is as follows:

Recommendation		Management Response	Current Status
1	Invoices for the hiring of the Royal Spa Centre should be raised in advance of the booking wherever possible. Where this cannot be achieved, a deposit should be requested.	The recommendation is already the existing policy, which requires enforcement. Tasks will be added to the system so that the invoicing / deposit deadlines are adhered to.	Invoices are rarely issued in advance. This is often due to the type of hire. Rather than them pay for the hire in advance, invoicing is completed once everything is calculated as in most cases the Council pays the hirer. The post of Events Coordinator has been filled which means that invoicing should be improved.

Recommendation		Management Response	Current Status
2	Staff should be reminded to ensure that visitors are asked to sign in on all occasions.	All staff will immediately be reminded of the procedure regarding building security and visitors.	The RSC signing-in book was checked on a number of occasions. All staff and visitors had signed in unless the visitors were using their own signing-in book (for larger groups) in these instances the visitors' signing-in book was located beside the RSC one.

4.2 Financial Risks

4.2.1 Risk: Misappropriation of income.

Responsibilities for custody and administration of the procurement cards are defined. Staff members who hold procurement cards are aware of their spending limit. Staff interviewed confirmed that they keep their card in a safe place and try to arrange purchases around their availability thus reducing the need to rely on other staff to cover absence. If purchases need to be made in their absence, responsibility with other card holders is arranged before they take leave.

The spending limits are varied across the team members, in line with their level of responsibility and the frequency the card is used to purchase items.

The value and nature of purchases on the procurement card are reasonable. A sample of spending over the last six months, using cards held by RSC staff members was reviewed. The sample focused on five main card holders, all who have key roles at the RSC. As most of the staff work across all culture sites it is difficult to isolate spending associated with just one location. Payments made for other culture locations, such as the Art Gallery, were easy to identify and eliminate from the sample leaving the RSC and Town Hall payments in the sample.

The total spend identified across the six months was over £16k. When removing a few larger purchases for retail items, including an ice maker and large fridge, the majority of spending was carried out with Booker Limited. It was also noted that there were a number of purchases frequently made with Amazon.

The Council has a supplier account with Booker Limited so it may be more beneficial to purchase regular items through the supplier account. The Council also has an Amazon Business account which should be used. The spending with Amazon appears to be through personal accounts; however, this can create a risk of the card details accidentally being used for personal purchases. This was found to have happened in one case (now rectified).

Recommendation

To mitigate the risk of staff inadvertently using the Council procurement card for personal goods, Council business accounts should be used when purchasing items for business use.

The Customer Services Manager confirmed that stock counts are undertaken on a weekly basis. This information is then used to re-order stock ensuring only the required items are replenished.

Stock is delivered on a weekly basis. Either the Customer Services Manager or a Duty Manager are responsible for checking the stock when it arrives. The Supervisor then updates the system as appropriate with the delivery details.

Items identified as substandard are not accepted but returned to the supplier and the invoice updated. Where substandard stock is not identified at the time of the delivery, the sales representative is contacted to discuss it and a credit note is usually applied to the account. Where possible the item is re-added to the order for the following week's delivery.

In addition to the weekly stock counts a detailed stock check is completed once every three months. This allows 'use-by dates' and the condition of the stock to be checked rather than just the quantity.

When stocking shelves, dates on the perishables are checked and the oldest stock is brought to the front with new stock placed at the back. This ensures that stock is used in order and rotated frequently. Stocking up shelves normally happens once a week but can be daily at busier times due to the volume of sales.

Stock check sheets are dated and detail the various locations within RSC so the stock for each location can be recorded accurately. Recent stock check sheets were provided for the audit allowing the auditor, for a selection of items, to check the recorded status against the actual stock held.

Fees and charges are updated annually. The Arts Manager confirmed that usually a 3% uplift is applied to generate the annual increase to the fees and charges. The charges are based on actual cost and profit margin. This allows staff pay to be taken into account. Fees and charges are approved at Committee (Full Council). Charges proposed for 2023 were approved on the 23 November 2022.

Rates are published on the Council's website for each area or room available to hire. At the time of checking (November 2022), the prices on the website were correct and in line with those previously agreed at committee. The Arts Manager confirmed that prices on the website are updated annually when the new price comes in.

Income at the RSC is gained from bar takings, ticket sales and hire charges. The income is collected through tills for the bar takings and some of the ticket sales, or online for ticket sales through the website or paid directly to the Council's bank account when invoices are issued for hire costs.

There are two bars within the RSC - one upstairs and the main bar on the ground floor. The ground floor is also where the box office is located for ticket sales. These three locations have their own till allowing sales to be directly linked to that location. Receipts for purchases are provided to customers on request.

Hire charges vary depending on the type of hire. There are five ways the venue can obtain income through hiring at the RSC. This can be from a commercial show, from hiring with or without the box office, from an agency or from internal hire. These are described in greater detail below.

A commercial show is where the income from the box office is split between the promoter and the Council after the costs and charges have been removed from the income. The promoters are set up as a creditor on the finance system and the Council is invoiced once the final amount has been calculated.

Hirers can hire an area within the RSC and pay the hire fee. Where they are also using the box office to sell tickets, a 10% fee from the box office income will be paid to the Council. Often the income from the ticket sales covers the cost of hire so the invoice is not generated until after the event. For events where a company is not using the box office the hirer will be invoiced the relevant hire fee.

Some agencies use the box office to sell tickets for other venues; in such cases the Council receives a percentage of the ticket sales on a commission basis.

The fifth way of hiring is internally through the Council, this is recharged to the relevant service at a cost of 50% of the hire fee.

For the tills located within the RSC there are clear cashing-up procedures in place as well as the tills being reconciled and verified against the takings. Tills are reconciled at the end of each day with a mini-read completed if there is more than one show in the day to allow identification of income for each show.

The cashing-up manual sets out the float amount and the order to cash up in. It also provides copies of the banking sheets. The entire cashing-up process is described in clear detail. The process includes completing readings from the till and producing print-offs which are to be included in the banking bags.

There are a number of spreadsheets to help with the cashing-up and banking procedure. The spreadsheets remove some opportunity of human error by automatically completing some of the calculations.

The Customer Service Assistant completes the initial banking, removing the float first. The duty manager then checks the amounts and confirms that they reconcile with the expected amounts.

The till opening and cashing-up procedures were discussed on site with a duty manager. The process described matched the documented one and the forms shown to the auditor are consistent with those in the manual.

Banking bags are kept securely in a safe until collection; the safe is in a secure room and the keys (to both the room and safe) are held separately in key safe boxes. Only the duty managers have the code for the key safe boxes. The boxes are wall-mounted and kept locked at all times. A walk-through confirmed that the boxes were both locked and the keys were kept separately. Access to both boxes is required when accessing the safe as one box holds the key for the safe and the other a key to access the safe room.

The key safe boxes are kept in a secure room which only the duty managers have the access code for. There is a key log sheet for when keys are removed and returned to the boxes but it is used infrequently (the last key log entry was in September 2022). The only risk of not signing keys in and out is that their location may be unknown; for example, if someone were to be called away to another area in the building and didn't return the keys. However, as only the duty managers have access to the keys, it would be expected that if the keys weren't in the box the duty manager on shift would have them. The key safe is also where the duty manager keys are located. These are collected at the start of a shift and returned at the end. There are other security systems in place, including CCTV and door locks with code entry systems.

4.2.1 Risk: Inappropriate procurement practices.

A spending review was completed for high value purchases to ensure the total spend with the supplier was under the recommended £5000 threshold where there was no contract in place and was within the contract spend where there was one. Spend over £5000 should be listed on the contract register to be compliant with the Local Government Transparency Act.

There was one concern noted in the spending for a contract in which the total amount was very close to the maximum contract spend and there is less than six months left on the contract. This was discussed with the Procurement team and the Arts Manager who are aware and are working together to arrange a variation to the contract.

The finance system monitors spending against contract so any purchase requests against the contract which take it past the limit will not be actioned unless the Procurement team authorise it.

Although the finance system monitors spending against contracts it is advisable that contract managers review the spend against their contracts on a regular basis to ensure they don't go over budget. Where it is anticipated that they may go over the contract limit they can contact the Procurement team who can advise on the appropriate next steps.

4.3 Legal and Regulatory Risks

4.3.1 Risk: The venue operates within the terms of its Premises Licence.

There is a premises licence in place for the RSC. The licence details the activities that can be held at the venue and permits the sale of alcohol for consumption on site. The licence is valid from Monday to Sunday from 8:00 a.m. until 2:00 a.m.

The licence covers activities including live music, dance and various film permissions.

The Customer Services Manager affirmed that all duty managers are aware of the licensing terms and conditions. Customer Service Advisors are told the terms and conditions on their induction but focus is on refusal of sale and disorderly behaviour as this is the area that impacts them the most.

The licencing portal on the Council's website shows the current premises licence with the terms. The portal can be accessed by members of the public.

The contracts for hirers and professionals include terms and conditions which provide further information regarding the responsibilities of the hirer and RSC management, including the provision of the licence. The blank hire documents provided for the audit provide the contact as the previous Head of Culture. This is due to be updated with the correct details in line with the new structure.

4.4 **Reputational Risks**

4.4.1 **Risk: The choice and content of performances, screenings and events has potential to cause offence to the public.**

The RSC Programming Policy and Procedure document sets out acceptable content for performances, screenings and events at the RSC. The policy explains that content should avoid causing unnecessary controversy or offence. The Arts Manager explained that there are few events or productions that would be refused, as long as they are expected to be profitable. However, as a publicly funded venue, the Royal Spa Centre has a responsibility to remain neutral and ensure that no section of the local community would be offended by an event. This potentially includes politics, race, religion or sexualised issues. This is sometimes a difficult judgement, as many events (comedians in particular) intend to challenge views and provoke debate around those subjects.

There are no specified restrictions within the policy just a reminder to consider the reputation of the Council when taking bookings.

The Programming Policy and Procedure document is in line with the premises licence which sets out the activities permitted at the venue and the terms for the films detailing any restrictions in place.

4.4.2 **Risk: The venue presents a range of high-profile community events.**

The premises licence and the Programming Policy set out the permitted activities and ensure the staff consider the Council's reputation when taking bookings. These steps and resulting procedures help to protect the Council's reputation. There is also a Culture Customer Care Charter in place. With the aim to provide excellent customer care, the team hopes to increase participation and attendance, gain a reputation for excellence, and create best value for money.

Setting out the benefits and consequences of excellent vs poor customer service the Customer Care Charter also details the complaints procedure, which is in line with the formal Council complaints procedure.

For the benefit of the staff member, the Charter goes through the stages of complaint, guiding them through the process with suggestions on how to prevent complaints being made and how to support the customer's needs. The guidance also covers extreme cases such as when the customer is aggressive or violent.

The procedure for customer complaints is designed to manage the complaint and prevent it from escalating further. The document lists the Head of Culture as a point of contact within the later stages of the process. Recent restructures mean this is no longer a Council role. The customer care charter is under review to bring it in line with the changes. Once completed, it will be re-issued to Culture staff showing the current contacts and any other updates that may be needed.

4.5 Fraud Risk

4.5.1 Risk: Processing of large 'settlement' payments to promoters and hirers.

The processes in place for hirers was discussed with the Programming and Marketing Manager. The way hirers and promoters pay the Council depends on the services required. In many cases the Council pays them. All income for ticket sales is collected by the Council, the hirer or promoter is then paid their percentage of the sales fees after other costs have been removed. These costs include items like the hire fees and costs. In these cases the hirer or promoter will be set up as a creditor on the finance system. When the space is hired and tickets are not being sold the hirer or promoter will be set up on the payment system as a debtor and invoiced for the hire.

Payments are made digitally using the Council's finance system, meaning the team do not handle large amounts of cash. The Council have not accepted cash payments for a number of years so all hirers and promoters must pay the invoice through their bank account.

When setting up a new debtor / creditor (depending on the income generated and service hired) the details input must be authorised by an additional appropriate person. When an invoice is generated, it is processed by the Payments team. When a debtor pays an invoice, it is received directly into the Council's bank account. This payment is then identified by an accountant in Finance who applies the income onto the appropriate code.

4.5 Health and Safety Risks

4.5.1 Risk: Violence against staff.

All Council staff receive mandatory training at the start of their employment. This includes lone working and conflict management. In addition to this, on-site emergency procedures training is completed on a regular basis.

The risk assessment in place details potential risks from aggressive and violent incidents and violence to staff. The training given to staff helps to manage these

risks. There are processes in place which help to protect staff when faced with violent or aggressive customers.

When not open to the public the building is locked; access can be gained by using a bell to alert staff of an individual's presence. The staff member can verify who the individual is before unlocking the door and allowing them in. There is CCTV at this location which records the area clearly showing the person wishing to gain access. There are posters in place informing the public of the use of CCTV in and around the building as per surveillance requirements.

Inside the building, staff areas such as break rooms, offices and backstage can only be accessed by authorised persons. Access to these spaces are locked using keypad entry systems. Codes to these vary, restricting staff entering areas they are not permitted to enter. The codes are changed on a regular basis.

4.5.2 **Risk: Accidents in the workplace including staff, customers and visiting companies.**

Risk registers are undergoing a change where they are being merged with the service area plans. This allows the risks to directly link to the objectives of the service. The risk register in place for the service was reviewed. The current risk register in place was last reviewed on 7 November 2022. Management have identified a number of risks associated with the hiring of the building. These include failure to achieve budget targets, staffing issues, technical failure, financial loss, fraud and a number of other relevant risks. There are also risks identified that could impact the health and safety of staff, customers and visiting companies. These risks have been explored further with the additional of risk assessments that are available on Assessnet (staff risk assessment software). This includes generic risks specifically found at RSC such as lift use, disorderly behaviour and adverse weather.

A weekly task sheet is used which includes sanitising areas and touch points, fire alarm checks, fridge cleans, legionella tests, lift checks and bin emptying and cleaning. These tasks not only help keep the buildings clean but also provide an opportunity to ensure the building is safe and hazards are identified and removed (where possible) in order to prevent accidents. Once each task is completed it is signed off with the initials of the staff member who has completed the task and the date it has been completed. A number of task sheets were available to view as part of the audit and the auditor was able to confirm that the tasks had been signed off appropriately. Where any issues had been identified appropriate action had been taken.

PAT testing is carried out by the Technical team at RSC rather than using the contractors. This ensures that electrical equipment is safe to use. This is completed on an annual basis. All electrical items tested are tagged with a barcode which allows the team to check the status and monitor as needed.

Water testing for legionella is carried out internally by the RSC tech team on a weekly basis. Logs are kept and saved to the shared drive. Samples of recent logs were shared with the auditor; the logs show what testing had been completed and the outcome.

Visiting companies are required to perform their own risk assessments for the event being held. This is submitted to the Technical and Facilities Manager who will highlight or raise any missing risks and concerns to ensure they are thorough. These risk assessments are held by the visiting company. In some cases where the risks may be a regular issue the assessment has been uploaded onto Assessnet. This is the case for more bespoke risks such as slosh making (during panto season), costume wearing (including heels) in the auditorium, and moving scenery.

There is appropriate insurance in place for the RSC. Details of the Council's insurance is available on the website and the staff intranet. The Insurance and Risk Officer within Finance is notified if there are changes or concerns raised at the premises and they are made aware of any incidents or near misses which could result in a claim.

4.5.3 Risk: Building access and security.

Site security is maintained, with doors being locked as appropriate and key-holding being limited to suitable staff. Key holders have access into the building through the stage door. Key holders include line managers and duty managers. Offices and staff only areas within the building can be accessed using keypad door locks, technical staff have the codes for backstage and technical areas and FOH staff or duty managers have the codes for the bar areas and relevant offices.

Duty manager key sets are kept in a key safe in the duty manager's office. The keys for the cellar room and safe are held in additional key safe boxes. The access codes for the key safe boxes are provided to a limited number of staff members. Duty manager key sets are kept by the duty manager for the whole of their shift and returned to the key safe when they finish. The safe and cellar keys are only removed for use and returned immediately.

A walk around the site confirmed that staff areas and backstage could only be accessed using the keypad door locks. There were staff around to greet and advise customers if they appeared lost. Some areas were roped off to customers and staff member was in place to stop the general public from bypassing or moving the rope. When the building was not open to the public it was observed how staff member and hirers were able to enter and exit the building using a separate door and ringing the bell to gain entry.

The fire doors are chained closed when the building is closed and un-staffed. The staff on rota due to start first and open up is responsible for unlocking and removing the chains so the fire escapes can be used in an emergency. The chains are stored in a secure location once removed and returned to the doors when the building is locked up at the end of the day when the staff leave.

Appropriate signing-in sheets are maintained so that staff are aware of who is in the building in case of emergency. There are signing-in forms within the secure areas, allowing visitors (hirers) to sign in and input their car registration number if they have parked in the "circle" outside of the RSC. Hirers can provide their own signing-in documents/logs if required – especially for large company hires

but must also use the RSC one if they have parked in the circle to prevent them from receiving a parking ticket.

There is a staff sign-in board which is a simple system of names and sliders to identify whether the member is "in" or "out" of the building. Staff not on the boards use the signing-in book.

There are radios provided, one at the signing-in desk and others which are carried by staff. This allows the technical and front-of-house team to communicate with each other and to let each other know when they are in the building.

A review of the signing-in book and boards was carried out on site on three random occasions. On all occasions the staff marked as in the building were in and visitors / hirers had signed in appropriately.

A number of inventories are maintained for desirable / portable / valuable equipment is maintained. This includes cable, tools, laptops, cameras, screens and other equipment. A main inventory for equipment also lists the condition and (when known) the date of purchase and costs.

Equipment which is PAT-tested is logged onto the PAT testing software. All electrical equipment is tested on an annual basis, usually during the August shut down or January. The test logs also double-up as an asset register.

A formal risk register is in place relating to the provision of services at the establishment and this is regularly reviewed by management.

4.6 Other Risks

4.6.1 Risk: Business continuity and resilience.

There is a business continuity plan in place. The plan was last updated in April 2021. With the proposed merger it was expected that a new merged plan would have been developed. Since the breakdown of the merger the Council has undergone a restructure leaving Culture under a different service manager. The Arts Manager is currently working on updating a number of documents to bring them in line with the new structure; the business continuity plan is included in those documents.

The plans in place are mostly still relevant for the RSC and list staff responsible for the various actions. The main changes are that there is no longer a Head of Cultural Services, as this service area no longer exists, so the responsibilities of that post should be carried out by the Head of Place, Art and Economy.

The plan highlights the need to ensure that sufficient and relevant employees are available to staff the RSC to allow shows and events to go ahead. It provides details as to why cancelling shows or closing the building should be a last resort (because of financial implications), providing alternative procedures to follow where possible.

The plan has been circulated with the relevant staff members who are aware of their responsibilities. This was checked by enquiring with a selection of the staff members identified in the document.

5 **Summary and Conclusions**

5.1 Section 3.3 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

Risk 1 - Misappropriation of income.

5.2 In overall terms, however, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Royal Spa Centre are appropriate and are working effectively to help mitigate and control the identified risks.

5.3 The assurance bands are shown below:

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

6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Royal Spa Centre – February 2023

Report Ref.	Risk	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Misappropriation of income.	To mitigate the risk of staff inadvertently using the Council procurement card for personal goods, Council business accounts should be used when purchasing items for business use.	Low	Arts Manager	All staff with corporate purchase cards have been asked to check that their card is not linked to their personal online accounts.	Completed.

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.