

INTERNAL AUDIT REPORT

TO: Head of Cultural Services **SUBJECT:** Town Hall lettings

CC Chief Executive **MY REF:** THL/JK
Deputy Chief Executive (AJ)
Head of Finance
Theatre and Town Hall Manager
Deputy Manager
Business Support Manager

FROM: Audit & Risk Manager **DATE:** 19 March 2014

1. INTRODUCTION

- 1.1 As part of the 2013/2014 Audit Plan, an audit has recently been completed on the systems and procedures in place to manage Town Hall lettings.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2. SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 The audit was undertaken in order to establish and test the management and financial controls in place over Town Hall lettings.
- 2.2 The audit programme identified the controls that were expected to be in place and the possible risks arising from the absence of those controls.
- 2.3 The control objectives examined were as follows:
 - a) Responsibility for Town Hall lettings is clearly defined.
 - b) There is a system in place for dealing with lettings and appropriate records are maintained.
 - c) The correct charges are applied to all lettings.
 - d) Charges are accurate, complete, raised promptly, properly accounted for and pursued if necessary.
 - e) There are appropriate security and insurance measures in place.
 - f) Budgetary control procedures are in place.

3. BACKGROUND

- 3.1 There are a number of rooms at the Town Hall of different sizes available for a variety of purposes, the main one being the conduct of council business. Rooms that have not been allocated for council business are available to the public for hire within the confines of appropriate use and compliance with the Town Hall's premises licence. Public hirings cover such activities as weddings, parties, record and craft fairs, training events, blood donor sessions and meditation classes. Some hirings are one offs while others are of a long standing nature and take place regularly through the year.
- 3.2 Some of the accommodation at the Town Hall is occupied on a permanent basis by the University of Warwick and by Bromford Housing Association. These lettings are governed by property leases and not through the lettings system which was the prime focus of the audit. The income was still considered as part of the audit.
- 3.3 The estimated income for lettings in 2013/2014 is £71,000 and for service charges associated with the two leases £12,700.

4. FINDINGS

- 4.1 In overall terms, the audit drew the conclusion that there are sound controls in place over the management of Town hall lettings.
- 4.2 In terms of the control objectives listed at 2.3, the findings are as follows:
- 4.3 **Responsibility is clearly defined**
- 4.3.1 The management of the Town Hall has for many years been within the purview of Cultural Services. The day to day management of the building and of lettings was for a long time left to the post of Town Hall Superintendent and with some reservations this arrangement worked reasonably well. The reservations concerned the administration of lettings which left a lot to be desired.
- 4.3.2 At some point the management of the Town Hall was formally placed under the control of the Royal Spa Centre Manager but this brought no improvement in the situation.
- 4.3.3 More recently the Town Hall and the Royal Spa Centre have in effect merged and there has been an alignment of management, systems and procedures. Responsibility for lettings lies with the Deputy Manager and part of her job description states " To be the primary contact for booking requests from internal and external customers and manage them in conjunction with the General Manager and management team."

4.4 **There is system in place for managing lettings**

- 4.4.1 Historically there always was a system in place to manage lettings but it was somewhat informal and inconsistent particularly with regard to regular and trusted hirers. Any audit recommendations aimed at achieving improvements in administration and control were accepted but somehow the message failed to get across such that the overall management remained somewhat relaxed.
- 4.4.2 This was still the situation at the beginning of this year and it was evident that there was no formality to the lettings process and often very little by way of evidence to support what had been agreed with the hirer.
- 4.4.3 This situation changed dramatically around September time when a system called Artifax was introduced to manage all of the events at the Royal Spa Centre and the Town Hall. As with most systems these days it is very sophisticated and offers quite a range of options but inevitably it lacks some features that management, accountancy and audit would ideally like to see in place. It is understood that as the implementation of Artifax is still very much a work in progress any potential improvements identified locally will be put to the system supplier as part of a Wish List.
- 4.4.4 Artifax is primarily a means of recording and storing information around a letting. There will still be meetings with potential hirers to reach agreement on dates, cost and terms and conditions. A key part of this procedure is the signing by both parties of a formal contract governing all aspects of the letting.
- 4.4.5 One of the clauses states that "Total hire fees must be cleared to Warwick District Council a minimum of 7 (seven) days before the first date of the hiring." This is not enforced.
- 4.4.6 The following clause says that WDC can require a deposit up to the full amount of the estimated cost. Given the local knowledge of the reliability of the regular hirers and local organisations a deposit is not always requested. When deposits are paid they are either £100 or 10% of the estimated cost of the letting. On occasion a deposit of this size may be inadequate and leave the council open to a potential significant loss as was the case with an incident a few years ago. A pre wedding party in June 2008 resulted in a charge of £1325. A deposit of £100 was paid but the balance was written off as the hirer was supposedly abroad.
- 4.4.7 Whenever an event is likely to result in a charge running into thousands of pounds, a wedding for example, and there is no knowledge of the hirer then ether payment in full in advance or a much larger deposit would be more appropriate.

Risk

Requesting a small deposit on a high value letting leaves the council open to the possibility of a significant loss.

Recommendation

Whenever management deem it appropriate, payment in full in advance or a sizeable deposit should be considered for high value lettings.

4.5 Correct charges are applied

- 4.5.1 Until a few years ago the charges approved by council for room hire at the Town Hall were specific to each room and categorised between actual event time and preparation time and commercial and non commercial bookings. Since 2011/2012 the approval has been "All charges are by negotiation." The charges are not publicised anywhere but they are input to Artifax and used to compile a quotation when an enquiry is made.
- 4.5.2 The charges input to Artifax are based broadly on the last set of approved detailed charges (2010/2011) uprated for inflation. "By negotiation" does not mean that individual charges are applied depending on the nature of the event and the status of the hirer. Charges are applied consistently and equally.
- 4.5.3 The charges for five lettings from the last six months were examined in details and in all cases they were comparable with the charges approved in 2010/2011.

4.6 Charges are accurate, complete , raised promptly, accounted for and pursued

- 4.6.1 In most cases charges are fairly straightforward. Most lettings involve room hire only and they will be the same as the charge quoted in the offer letter. Some lettings will involve a charge for staff or equipment, linen or security hire. When this is the case these charges are included in the quotation and exact charges input to Artifax when the invoice is received.
- 4.6.2 A flowchart supplied detailing the lettings process from the initial enquiry through to final settlement claims that all lettings are signed off on the Monday after they have taken place so that a settlement document can be prepared and forwarded to the Cultural Services Business Support Team at Riverside House. They then take the necessary steps to produce an official WDC invoice to send out.
- 4.6.3 A sample of invoices selected to check the delay between a letting taking place and the invoice being produced indicated that the delay was often several weeks if not months.

Risks

Producing invoices several weeks after an event results in unreliable budgetary control information.

Long delays between a service being provided and a charge being made gives the impression of an inefficient organisation.

Recommendation

Invoices for Town Hall lettings should be produced on a regular basis and at least monthly.

4.7 There are appropriate security and insurance measures in place

- 4.7.1 Most events that take place at the Town Hall are of a type that will be unlikely to result in any sort of disturbance and so fairly relaxed security measures are applied. Lettings with a potential for incidents will not be approved.
- 4.7.2 Whenever alcohol is to be supplied as part of an event it is a condition of the letting that accredited security staff are provided with the cost being recharged to the hirer.
- 4.7.3 The contract covering the hire agreement states at clause 7 that "It is the responsibility of the hirer to effect and maintain adequate insurance policies to cover all statutory liability of at least £5 million and including Public Liability ..." This requirement of the contract is not being applied and no evidence is therefore requested or retained.
- 4.7.4 It is likely that certain organisations will either have their own cover or be covered by their own national organisation e.g. The Labour Party or Save The Children. However, it is probably very unlikely that a couple booking their own or one of their children's wedding reception would hold any cover. Any claims resulting from a letting where no cover was in place could be protracted with the council in some way bearing a cost.
- 4.7.5 A Hirers policy could be taken out by the council to cover claims resulting from lettings with the cost being recovered from hirers. The implications of this and of the current practice of not asking to see appropriate cover would be better discussed with the council's Insurance and Risk Officer.

Risk

A claim resulting from a letting where there is no insurance cover in place could mean that the costs fall on the council.

Recommendation

The insurance implications of Town Hall lettings should be discussed with the Insurance and Risk Officer and procedural changes introduced as appropriate.

4.8 Budgetary control procedures are in place

- 4.8.1 Corporate budgetary control procedures are in place with the Theatre and Town Hall Manager having overall responsibility. He is assisted in this task by an accountant from Finance and, in addition, Cultural Services staff will play some part in budget monitoring.
- 4.8.2 The income budgets for the years 2011/2012 and 2012/2013 show some variation in performance but nothing too significant.
- 4.8.3 An examination of the current year's income budget did highlight two significant issues which have fallen through the budgetary control net. The budget was originally showing that income was well below estimate but that will all change as a result of the errors identified.
- 4.8.4 The first and lesser issue involves a payment of £1,993 in respect of a wedding reception. Payment was made by cheque in October 2013 but the cheque bounced and so was debited to the council's bank account. Another cheque was presented but somehow in the confusion the ensuing accounting adjustments meant that the credit was eventually posted to the Royal Spa Centre. This has been referred to the accountant for Cultural Services and will be corrected.
- 4.8.5 Of more significance it was noted that two invoices totalling £10,000 payable by Warwick University for the use of office space at the Town Hall had not been raised. They relate to the quarters beginning 1st October 2013 and 1st January 2014. Invoices for the first two quarters of the year had been raised.
- 4.8.6 As a result of raising the issue two invoices for £5,000 were raised on 11 March 2014. Normally when income of a fixed amount is due on a regular basis it is dealt with automatically using the periodic income feature of the debtors system as opposed to relying on memory or a diary reminder.

Risks

Regular fixed income not billed automatically will be overlooked.

Late billing damages the council's reputation.

Recommendation

The rental for the use of office space at the Town Hall by Warwick University should be collected using the periodic income feature of the debtors system.

5. CONCLUSION

- 5.1 The audit concluded that in overall terms there are reasonably sound systems and procedures in place to manage Town Hall lettings but as identified some important aspects of control need to be improved.
- 5.2 The audit can therefore give a **MODERATE** level of assurance that the systems and procedures in place are appropriate and working effectively.

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