

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Cultural Services  
**C.C.** Chief Executive  
Head of Finance  
Arts Manager  
Programming & Marketing  
Manager  
Portfolio Holder (Cllr MC)

**SUBJECT:** Town Hall Lettings  
**DATE:** 4 August 2017

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2014.
- 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 There are a number of rooms at the Town Hall that are available to hire when they are not being used for Council business within the confines of appropriate use and compliance with the Town Hall's premises licence.
- 2.2 Some hirings are one-offs while others are of a long standing nature and take place regularly through the year. There are also some permanent tenants, including the University of Warwick, who have leases for parts of the building.

### 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and procedures
  - Fees and charges
  - Bookings and invoicing
  - Facilities and risk management
  - Budget planning and management.
- 3.3 The control objectives examined were:

- Staff have appropriate guidance as to how, and to who, the Town Hall can be let
- The Council receives appropriate levels of income for the use of its buildings
- Bookings are appropriately administered
- The Council receives all income that is due
- The costs of using the Town Hall are allocated correctly
- The Town Hall is protected against damage and vandalism during bookings
- The Council is protected against the cost of any claims made relating to events held by hirers at the Town Hall
- Management are aware of the risks associated with allowing the building to be hired
- Budget variances are limited as the budgets are set appropriately in line with anticipated levels of income
- The Council is aware of any potential budget variances.

## 4 Findings

### 4.1 Recommendations from Previous Report

- 4.1.1 The current position in respect of the recommendations from the audit reported in March 2014 is as follows:

Recommendation	Management Response	Current Status
1 Whenever management deems it appropriate, payment in full in advance or a sizeable deposit should be considered for high value lettings.	To be implemented at the point of agreement between the venue and hirer. Assessment of risk made by Deputy Manager or General Manager.	Sample testing (see 4.4.5 below) highlighted that invoices are still being raised after the event in a number of cases. However, a new staff member (Programming and Marketing Supervisor) is now in post and it is envisaged that this issue will be resolved.
2 Invoices for Town Hall lettings should be produced on a regular basis and at least monthly.	Recharges for commercial hires to be completed on a Monday for the previous week. Internal, WDC recharges to be passed to our Accountant on the first Monday of every month for processing.	As with the above, the invoices should now be produced on a monthly basis. Invoices for the current financial year (as at the time of audit testing) had been raised in June.

Recommendation	Management Response	Current Status
3 The insurance implications of Town Hall lettings should be discussed with the Insurance and Risk Officer and procedural changes introduced as appropriate.	Meeting to be arranged and any action points or alterations of contracts to be implemented.	All hirers are given the option of providing details of their own insurance cover (minimum of £5m public liability) or can pay an extra 10% of their hire cost to be covered by the Council.
4 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.	Clarification to be sought from contract services as to the terms of the latest lease renewal and then the charges set up on debtors system.	The periodic income feature is now used (by the FS Team) to raise quarterly invoices.

## 4.2 Policies & Procedures

- 4.2.1 A process flowchart is in place that sets out how bookings should be dealt with from the initial enquiry being received through to the final settlement of the invoice following the event.
- 4.2.2 This sets out the 'policy' over the types of events that will or will not be considered. Whilst some of these are specific (e.g. 18th / 21st birthday parties), some are more vague and are left to the discretion of the staff involved in the booking (i.e. events of a 'controversial' nature).

## 4.3 Fees & Charges

- 4.3.1 The annual fees and charges report (presented to Executive on 28 September 2016) highlights that there is delegated authority for the Head of Cultural Services to negotiate fees for areas such as the Town Hall (amongst other things). As such, there are no specific fees included in the related appendix to the report.
- 4.3.2 Standard hire fees are in place and these form the starting point for the negotiations. Sample and walkthrough testing highlighted a number of cases where the full price had not been paid. The hire agreements and other paperwork show the full amount, based on the price list, with the negotiated figures being represented by the amount of discount applied.
- 4.3.3 The hire fees document and the process flowchart both set out the charging rates for different categories of hirers. These include discount rates for community organisations and charities.
- 4.3.4 Sample testing undertaken identified a number of cases where these discounts had been applied as well as other negotiated discounts. The testing confirmed that the discounts had generally been applied correctly although there was one issue identified in relation to lettings to the National Blood Service.

- 4.3.5 They had been charged the full hire fee despite being a 'community' organisation. The Programming & Marketing Manager (PMM) suggested that they were given free access to another room as part of their booking, although it was unclear whether this provided them with a 'beneficial' rate. The PMM advised that she would look into the amount charged to them when they submit their next booking request.

#### 4.4 **Bookings & Invoicing**

- 4.4.1 A sample of bookings was reviewed to ensure that they were being processed in line with the abovementioned procedures. Specifically, the test examined documentation retained on the Artifax system to ascertain whether the enquiries were being responded to in a timely manner and signed copies of the hire agreements had been received and retained.
- 4.4.2 Where evidence was retained, it was confirmed that the enquiries were being responded to in a timely manner but in six of the 20 cases examined there was no evidence on the system (either in email form or in the notes section) to confirm that the booking enquiry had been responded to within the timescales set out in the procedures.
- 4.4.3 Signed copies of the hire agreements were on the system in the majority of the relevant cases examined and these generally reflected the bookings made, although two of the larger bookings went through a number of iterations. However, in two relevant cases it was not clear if agreements had actually been issued and there was no signed agreement held in relation to another booking.

#### **Risk**

**It may not be possible to resolve any queries raised in relation to bookings made.**

#### **Recommendation**

**All relevant documentation should be retained on the Artifax system.**

- 4.4.4 The sample selected was also reviewed to ensure that all costs had been identified and included on the invoices raised and that the invoices were being raised in a timely manner on TOTAL.
- 4.4.5 Upon review, it was confirmed that all relevant costs were included on the Artifax invoices where held and that these agreed with the TOTAL invoices raised. However, in half of the cases examined, the invoices had been raised after the event.
- 4.4.6 This issue was acknowledged at the time of the opening meeting for the audit and it was suggested that the appointment of the Programming & Marketing Supervisor should help to resolve the issue once she gets fully established in her role.
- 4.4.7 Internal bookings are recharged via journal entries on TOTAL. At present, a report is run from Artifax on a monthly basis to identify any internal (WDC)

bookings, although an Excel template is now to be used instead with the booking data from Artifax being added to the journal upload template.

- 4.4.8 The reports are sent to Finance for them to process with the reports being pasted into journals for the costs to be recoded. The report relating to the May recharges was checked against TOTAL and it was confirmed that it had been processed appropriately.

#### **4.5 Facilities & Risk Management**

- 4.5.1 The standard hire agreement covers the use of security staff for all events at which alcohol will be served. It also highlights that 'the Resident Management shall provide a minimum of one member of staff to supervise the Premises for the duration of the Hire Period ...'
- 4.5.2 The PMM advised that additional customer service staff are not required for a lot of the bookings at the Town Hall as they take place when the building would be open anyway and is staffed by the Facilities team. As a result, only five of the sampled bookings had required additional staff to be used, and security staff were found to have been used as appropriate.
- 4.5.3 Another requirement for each booking is that appropriate insurance cover is in place. If hirers do not hold their own insurance they can pay an additional ten percent of their booking fee to buy into the Council's insurance.
- 4.5.4 The sample testing performed highlighted six cases where there was no evidence held that adequate insurance was in place. In some cases, where recurring bookings were made, previous insurance certificates were held and there was evidence that they had been asked to provide up-to-date insurance details, but these had not been furnished.

#### **Risk**

**The Council may not recover relevant insurance costs from hirers.**

#### **Recommendations**

**The surcharge for using the Council's insurance should be added in all instances where hirers do not produce their insurance documentation as requested.**

**Regular hirers should be asked to provide updated insurance details on the expiry of their current policy as opposed to when new bookings are made.**

- 4.5.5 The testing also highlighted an issue with regards to the location of some of the documentation on Artifax as some insurance documents were attached to the individual bookings and others were held against the hirers details.

#### **Risk**

**It may not be clear whether hirers have the required insurance cover.**

#### **Recommendation**

**A standard process should be adopted for the retention of insurance documents.**

- 4.5.6 Section 8.3 of the hire agreement states that 'a full risk assessment for the activities of the event should be completed by the Hirer and presented to the Resident Management before access to the Premises may be granted'.
- 4.5.7 The PMM advised that hirers are only generally asked to provide a risk assessment where the events were 'different' or for big events, with most bookings being for straightforward meetings (which would be 'covered' by Council risk assessments). Also, for some events (e.g. wedding receptions) staff will meet with the event organisers in advance and go through any specific issues with them. None of the sample selected had provided risk assessments.

### **Risk**

**Incidents may occur as potential risks may not have been identified.**

### **Recommendation**

**Risk assessments should be requested for any events that do not fall into the 'meeting' category.**

## **4.6 Budget Planning & Management**

- 4.6.1 The income budget against the relevant code on TOTAL is set at £87,300 for the current financial year. This represents an increase of £9,800 on last year's final budget despite the fact that the income received for 2016/17 only reached £66,800.
- 4.6.2 The Arts Manager advised that shortfall for 2016/17 was partly down to the loss of a tenant from a room in the Town Hall and also an internal recharging error. The original budget for 2016/17 was originally set at £87,300, but was amended due to this loss of income.
- 4.6.3 A new tenant has now been found for the room, so the income budget for 2017/18 has been restored to the previous level.

## **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 Town Hall Lettings are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
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 A number of issues were, however, identified:
- A number of relevant documents could not be located on the system.
  - Evidence of insurance cover was not always being provided by hirers.
  - Risk assessments are not routinely being provided.

## 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 Town Hall Lettings – August 2017**

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.4.3	All relevant documentation should be retained on the Artifax system.	It may not be possible to resolve any queries raised in relation to bookings made.	Low	Programming & Marketing Manager	Our existing procedures dictate that all correspondence and documents should be stored on the system for future reference. This procedure shall be better enforced. All correspondence emails are stored in the shared Spa Hirings email folder (and then archived appropriately.) Any relevant emails and documents are saved to Artifax.	From August 2017 Reviewed January 2018
4.5.4	The surcharge for using the Council's insurance should be added in all instances where hirers do not produce their insurance documentation as requested.	The Council may not recover relevant insurance costs from hirers.	Low	Programming & Marketing Manager	This is our existing policy and it will be better enforced. The insurance charge shall be added to all hires in the first instance and only removed if proof of insurance is provided.	From August 2017 Reviewed January 2018
4.5.4	Regular hirers should be asked to provide updated insurance details on the expiry of their current policy as opposed to when new bookings are made.	The Council may not recover relevant insurance costs from hirers.	Low	Programming & Marketing Manager	This is our existing policy and it will be better enforced.	From August 2017 Reviewed January 2018

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.5.5	A standard process should be adopted for the retention of insurance documents.	It may not be clear whether hirers have the required insurance cover.	Low	Programming & Marketing Manager	The insurance documents shall be stored on the customer's record on Artifax and tracked via the existing booking procedure.	August 2017 Reviewed January 2018
4.5.7	Risk assessments should be requested for any events that do not fall into the 'meeting' category.	Incidents may occur as potential risks may not have been identified.	Medium	Programming & Marketing Manager	Risk Assessments shall be added to the initial meeting agenda and tracked via the existing booking procedure.	August 2017 Reviewed January 2018

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.