

Causeway Coast and Glens Borough Council

Internal Audit Report Arts & Cultural Centres – Income & Cash

April 2022



INTERNAL AUDIT REPORT

Arts & Cultural Centres – Income & Cash

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2021/22. This report summarises the findings arising from a review of Arts & Cultural Centres.

The following table summarises the total number of findings/recommendations from our audit:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be insufficient controls in place in relation to the receipt of income at the point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors	-	-	-
There may be inadequate controls over the recording and reconciliation of income leading to incorrect accounting treatments and loss of income to the Council	-	-	-
There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council	-	-	2
Total recommendations made	0		2

Audit testing of Fixed Asset Registers also found that the outstanding recommendation from the previous Audit in had been satisfactorily implemented.

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

(Definitions of Assurance and priority ratings are included in Appendix IV)

Points for the attention of Management

We have identified a number of system enhancements during the course of the audit which do not form part of our formal findings but may help enhance the existing controls. These are detailed at Appendix V.

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Distribution:	Audit Committee Chief Executive Director of Leisure & Development Director of Corporate Services Audit Risk and Governance Officer
	April 2022

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system. (See additional information in Appendix V)

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management. The scope of this audit is to review the arrangements in place within the Council in relation to arts & culture centres. We will focus on the main risks associated with the following:

- The collection, security and recording of arts & culture centre income.
- Outstanding recommendation in relation to asset registers

The specific audit objectives in the areas examined during this review were to ensure

- there are sufficient controls in place in relation to the receipt of income within Arts & Cultural Centres, and
- that the outstanding recommendation in relation to the need for Fixed Asset Registers has been addressed

2 Background

Cultural Services has been established in order to enhance the well-being of citizens, communities and visitors by providing participation in, access to and an understanding of Culture, Arts and Heritage. This includes the provision of facilities in terms of both Arts Centres & local Museums, as well as a range of community-based services and resources to both promote the cultural profile and build upon the culture, arts and heritage infrastructure of the area.

Causeway Coast and Glens Borough Council recognises the enormous cultural, artistic and heritage assets within its geographical area and has developed a five-year Integrated Culture, Arts and Heritage Strategy to cover the period 2016-21. The strategy builds on the achievements of the four legacy council's arts and museums services and was adopted by Council in May 2016.

Council has 2 main Arts & Cultural Centres which are Flowerfield Arts Centre and Roe Valley Arts & Cultural Centre. In addition there are a range of other venues are used to host events across the borough. Theatre, dance, film, exhibitions, workshops and more take place in local venues such as Portnagree House and Sheskburn House in Ballycastle, Ballymoney Town Hall as well as in community centres, shopfronts and even the great outdoors.

Although Covid-19 lockdowns and restrictions resulted in the closure of Flowerfield Arts Centre and Roe Valley Arts & Cultural Centre, both have now re-opened to the public. As restrictions continue to be relaxed the number of events being held which allow the public to attend in person, has been growing, and use of the centres is returning to near normality. Income collected at tills at the centres is largely via card payment. Booking of tickets for events is managed online using Eventbrite, which has simplified the booking process and income management process, and further reduced the value of actual cash being handled at the centres.

3 Risks

The risks identified by Internal Audit relating to risk management and agreed with management are as follows:

1. There may be insufficient controls in place in relation to the receipt of income at the point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors
2. There may be inadequate controls over the recording and reconciliation of income leading to incorrect accounting treatments and loss of income to the Council
3. There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council

4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Director of Corporate Services
Director of Leisure and Development
Manager of Flowerfield
Manager of Roe Valley Arts & Cultural Centre
Finance Officers – Accounts Receivable

5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix III to this report.

5.1 Risk 1 – Point of Sale Controls

Council has a standard cash handling document which is provided to staff at every Council facility where cash or income is received.

This covers all methods of receiving payment from customers e.g. at the till using cash, card, over the phone and managing debtors payments.

Audit sample testing revealed no issues in relation to controls in place around point-of-sale income. However we have noted several enhancements during the audit which do not form part of our formal findings but would help enhance the existing documented procedures for cash handling.

This is included as a point for management at Appendix II.

5.2 Risk 2 – Recording & Reconciliation of Income

No issues were found during sample testing of income recording.

5.3 Risk 3 – Security of Cash

ISSUE 1 – Ad Hoc Cash Counts

a) Observation-

Audit notes from sample testing that cash receipts are usually low. Lodgement frequency at Roe Valley Arts and Cultural Centre is weekly, while at Flowerfield lodgements are usually monthly. Daily takings are removed from the till each day and retained in a safe until lodgements are made.

Daily cash takings could be as little as £10.00 and for the sample selected most daily takings were less than £50, with 1 being £67 and the highest was £200. However there are busy times when accumulating daily cash takings placed in the safe can build up to a significant amount of money.

Due to the low value of daily cash collected; surprise cash counts are not part of normal cash handling procedures.

b) Implication-

Ad hoc cash counts at times when cash is building up is a useful deterrent control against the risk of theft or misappropriation.

c) Priority Rating-

3

d) Recommendation-

Audit recommends the introduction of surprise cash counts, at the till and in the safe, during high cash receipt periods.

e) Management Response- Administration staff to do spot checks (recorded) on cash amounts in reception till, particularly during busy cash periods such as July/August and November/December.

f) Responsible Officer & Implementation Date-
Administration Assistants - Roe Valley Arts Centre & Flowerfield Arts Centre from July 2022.

ISSUE 2 – Insurance Cover for Cash on Site

a) Observation-

Audit was advised that current insurance cover permits a maximum of £500 to be retained at each of the Arts & Cultural Centres.

Audit sample testing of lodgements at both centres revealed no errors. However Audit review of lodgement values made for both centres over the period from June to December 2021 revealed one instance where the lodgement included cash of £823 (at Flowerfield)

b) Implication-

If cash on the premises exceeds the insurance limit, there is a risk that the insurance cover would be invalid in the event of a break-in or robbery.

c) Priority Rating-

3

d) Recommendation-

Audit recommends lodgement frequency at Flowerfield is increased during busy times and cash on the premises never exceeds the insurance limit of £500.

e) Management Response- Administration teams to monitor weekly income and carry out additional lodgements during increased income periods such as the Flowerfield Christmas Craft Market (relating to example given above).

f) Responsible Officer & Implementation Date-

Administration Assistants - Roe Valley Arts Centre & Flowerfield Arts Centre with immediate effect.

Appendix I: Prior Year Recommendations

Fixed Asset Registers	
a) Observation-	It was noted during an Audit performed in 2019 that the Asset Registers in place for Flowerfield and Roe Valley Arts & Cultural Centre were out of date
b) Implication-	If Asset Registers are not accurate there is an increased risk of misappropriation of assets.
c) Follow-up-	<p>As part of the 2021/22 review Audit obtained the updated Asset Register for both centres and performed testing when onsite at each location.</p> <p>At Roe Valley 37 assets were traced from the asset register and physically verified to exist. 12 assets were selected at random by Audit throughout the centre and traced back to the asset register.</p> <p>At Flowerfield 35 assets were traced from the asset register and physically verified to exist. 13 assets were selected at random by Audit throughout the centre and traced back to the asset register.</p> <p>No issues were noted.</p>
d) Finding -	The asset registers in place were up to date

Appendix II: Points for the Attention of Management

Cash Handling procedures

Audit testing and observations revealed that till takings are reconciled and agreed to the till Z reading and recorded on a takings sheet. The reconciliation is signed by the staff member on duty. Audit sample testing of till receipts at both centres revealed no discrepancies. Audit noted that the documented cash handling procedures does not provide any detail on the level at which discrepancies would be acceptable i.e. do not require investigation, nor do the procedures include a requirement to reconcile discrepancies or record the outcome.

The sample of till income tested by Audit did not include any cancelled transactions. Audit notes that the documented cash handling procedures contain no detail on cancelling till transactions, although staff have been trained in the use of the till at each site.

Audit recommends that at the next scheduled review of cash handling procedures that they be updated to reference management of discrepancies and cancelling till transactions.

Management response:

Cash handling procedures review will be undertaken by Arts & Cultural Services Officers and admin/reception teams July 2022 including addition of management of discrepancies and cancelling till transactions.

Appendix III: Summary of Key Controls Reviewed

Arts & Cultural Centres - Income & Cash

Risk	Key Controls
<p>There may be insufficient controls in place in relation to the receipt of income at the point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors</p>	<ul style="list-style-type: none"> • Income and cash handling procedures are in place to provide guidance to staff collecting payments – this covers all ways of customers paying e.g. at the till using cash or card, online or over the telephone which staff may be involved in • Adequate training is provided to staff who handle cash and manage income • Only designated staff are allowed to use tills (username and passwords used) • A separate float is held for each till which is counted and verified before each shift • Till reconciliation is performed at the end of each shift • Receipts are produced and issued for every transaction • All till discrepancies are fully investigated and records maintained • Any income received by post is promptly recorded and receipted. • Tills are restricted to one cashier/user or have individual user logins where operated by more than one staff member • End of day till reports are generated and reconciled to cash in till and credit/debit card records • All voids/ cancelled till transactions are supported by appropriate documentation • Separation of duties exists between staff responsible for income collection and staff with responsibility for reconciling income received to the bank.
<p>There may be inadequate controls over the recording and reconciliation of income leading to incorrect accounting treatments and loss of income to the Council</p>	<ul style="list-style-type: none"> • There is adequate completion of daily/ weekly sales sheets • All income is properly coded and promptly entered on the Total system by staff at the relevant arts and culture centre (or centralised arts and culture support staff) • Cash /cheque receipts are entered promptly in lodgement slips and on Total • Finance is e-mailed with lodgement details in a timely manner • Card merchant copies from the till are checked to the printout from the Card Terminal • Details of the card lodgement are entered promptly on Total (e.g. daily) • All merchant card copies and printouts from card terminals are retained. • There is adequate Manager/ Supervisor oversight over the lodgement process and evidence of this • Finance provides details of online payments and telephone payments to arts and culture for analysis, coding and posting to Total • Finance has a process to ensure checking and reconciling of all arts and culture income posted to Total to the bank statement • There is adequate Manager/ Supervisor oversight over the reconciliation process and evidence of this

Risk	Key Controls
There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council	<ul style="list-style-type: none">• Monies (cash and cheques) are held securely in a safe which is in an appropriate location until lodged• There are adequate access control arrangements to the safe• Where a large build-up of cash occurs, takings are removed from the till and held securely in the safe• Surprise cash counts are performed periodically• Lodgements are made regularly and promptly to avoid a build-up of cash• Adequate insurance is in place to cover cash held on the premises until lodged and cash held does not exceed the amount insured

Appendix IV: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix V: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control, and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.