

Causeway Coast and Glens Borough Council

Internal Audit Report Visitor Information Services

February 2019
Final

MOORE STEPHENS

INTERNAL AUDIT REPORT

Visitor Information Services

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of Visitor Information Services.

Through our audit we found the following examples of good practice:

- Spreadsheets have recently been developed for the Visitor Information Centres (VICs) to record all sales transactions and these are working well; staff enter the description and cost of items and bookings via drop down menus which automatically adjusts stock levels and allocates the sale to a predefined cost code. The spreadsheets provide up to date income and stock information which is reviewed regularly by the Visitor Servicing Officer.
- The Council's Tourism Services promotes the work of local artisans through the sale of handmade gifts, produce, homewares and jewellery from third party crafters on a sale or return basis. These items along with other merchandise were well displayed at the VICs visited and there were adequate arrangements for surplus stock held there.
- Visitor feedback mechanisms are in place and user experiences are monitored by the Visitor Servicing Officer; VICs within the Borough dealt with 140,558 enquiries up to the end of October of which 103,739 were specific visitor information; 5 out of 6 centres scored 100% in relation to the VIC mystery shopping experience in 2018, the other scored 95%. 94% of visitors said they were very satisfied with their visit to the VICs (with 6% saying they were satisfied).

There were 6 findings and recommendations from our audit and two points for management. There was 1 priority 2 recommendation which is detailed below:

- 1 Cash reconciliations at the VICs were found to be completed however these are not fully documented. At one VIC a change bag is used to hold variance amounts in excess of the till report. The change in the bag is then used to correct any shortfalls found at the end of the day. At another VIC the float is adjusted up or down for any small over/ unders and the new value of the float is recorded on the float sheet. There is therefore an increased risk that any till discrepancies are not investigated fully and misappropriation due to errors or otherwise could remain undetected.

The table below summarises the key risks reviewed:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be insufficient controls in place in relation to the receipt of income at point of sale, reconciliation of takings and inaccuracies in recording income leading to an increased risk of loss of income to the Council due to misappropriation or errors	-	1	2
The Visitor Information Centres may not have stock management procedures in place leading to unauthorised stock purchases, inefficient stock levels and inadequate security arrangements surrounding stock storage	-	-	3
There are inadequate controls in place relating to the performance of Visitor Information Centres leading to poor experience of the Centres by users and lack of value for money (both financial and non financial) to the Council and community	-	-	-
Total recommendations made	0	1	5

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.

Points for the attention of Management

In addition to the recommendations noted above we have identified one system enhancements during the course of the audit which does not form part of our formal findings but may help enhance the existing controls. This is detailed at Appendix 3.

Visitor Services Officer (VSO) and Assistant Visitor Services Officer (AVSO) meet regularly with the Destination Manager so discuss all aspects of tourism including the VICs. We were advised that it can be difficult to hold group meetings with all VIC staff, mainly due to the geography of the centres and the need to provide alternative staff cover for such meetings. The VSO operates an open-door policy where staff can contact her directly and the Assistant VSO also visits the VICs on a regular basis (monthly) and is available to discuss any issues. However no formal meetings take place to discuss day to day operations, current and upcoming developments, staffing matters and other relevant topics and to ensure solid lines of communication across the VICs. Consideration should be given to introducing a more formal process of meetings to exchange and share information and to report on performance. Details of any actions for follow up should be recorded and reported at future meetings.

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Distribution:	Audit Committee Chief Executive Director of Leisure and Development Head of Tourism Tourism and Destination Manager Visitor Servicing Officer
	February 2019

Audit progress	Date
Audit commenced	13 th November 2018
Draft Report issued to senior management for response	26 th February 2019
Responses Received	5 th March 2019
Responses Agreed	6 th March 2019
Report Issued	6 th March 2019

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.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks facing Visitor Information Services and a review of the key systems and controls in place to address these. The objective being to ensure that:

- Income collected at the Visitor Information Centres (VICs) is correctly, accurately and promptly recorded and managed
- There are sufficient controls in place for the monitoring and recording of stock items at the VICs
- Sufficient controls are in place in relation to the management of the VICs performance

2 Background

Tourism is worth £110m per annum by overnight expenditure (excluding day visits) to the Causeway Coast and Glens Council area and accounts for 4,751 related jobs, or over 12% of local employment illustrating the importance of tourism as a key economic activity and a major prosperity driver for the area¹. It is therefore important that Tourism related activities of the Council is appropriately managed. The Council's Tourism function is the is part of the Leisure and Development Directorate.

The Council has a Visitor Information Centre network with four offices in Ballycastle, Ballymoney, Coleraine, Limavady and seasonal offices in Bushmills, Rathlin and Portrush. They provide a free information service to local residents and visitors to Northern Ireland. They offer information on Council facilities and the local area, including tourist attractions, accommodation, where to eat, events, free information on holidays throughout Northern Ireland and accommodation bookings.

The Visitor Information Centres each have small gift shops selling items such as locally hand-made crafts, jewellery, pottery, glassware, maps, books, prints, postcards and other souvenirs. All sales transactions and bookings are processed through cash registers and credit card machines located at each centre and spreadsheets have recently been introduced to record all income and stock movements.

The management of cash and stock is inherently risky and therefore it is important that Visitor Information Centres have adequate controls in place to reduce the opportunity for error, fraud or misappropriation.

¹ Causeway Coast & Glens Tourism and Destination Management Strategy 2015 - 2020

3 Risks

The risks identified by Internal Audit relating to Visitor Information Services and agreed with management in advance of the audit are as follows:

1. There may be insufficient controls in place in relation to the receipt of income at point of sale, reconciliation of takings and inaccuracies in recording income leading to an increased risk of loss of income to the Council due to misappropriation or errors
2. The Visitor Information Centres may not have stock management procedures in place leading to unauthorised stock purchases, inefficient stock levels and inadequate security arrangements surrounding stock storage
3. There are inadequate controls in place relating to the performance of Visitor Information Centres leading to poor experience of the Centres by users and lack of value for money (both financial and non-financial) to the Council and community

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
Head of Tourism and Recreation
Tourism and Destination Manager
Lead Visitor Servicing Officer
Assistant Visitor Servicing Officer
Visitor Information Staff, Coleraine
Visitor Information Staff, Limavady

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 II to this report.

5.1 Risk 1– Cash Handling

ISSUE 1 – Cash handling Procedures

a) Observation- Audit noted that there are no standard cash handling procedures in place across the Visitor Information Centres (VICs). Legacy procedures continue to be used where available but are out of date and some brief guidance has been developed for staff when using the recently introduced income spreadsheets at the VICs however these are not comprehensive. Although most staff are experienced, there may be occasions when only seasonal staff are on hand to deal with payments and bookings. Seasonal and agency staff, by their nature, are not as familiar with the processes and procedures required when handling cash as permanent staff.

b) Implication- The absence of documented clear cash handling procedures and controls increased the risk of a lack of consistency of approach by staff, ineffective controls being operated and misappropriation due to errors or otherwise. Different processes can also make the oversight of the systems more difficult.

c) Priority Rating- 3

d) Recommendation- A clear cash handling policy and procedures should be developed and documented. It should cover receipt of income, till reconciliation, security of cash, and accuracy and monitoring of income records, linking across all Visitor Information Centres. Consistent recording templates and checklists should be developed for use to ensure consistency of approach and provide a standard process for staff. All new or temporary staff involved in handling cash should be provided with up to date procedures and should sign a declaration to say they have received them.

Training should then be provided to staff (including any agency staff) involved in cash handling at the visitor information centres. Comprehensive cash handling procedures are in place within other areas of the Council and could be replicated at the VICs.

e) Management Response- In progress

f) Responsible Officer & Implementation Date- Assistant Visitor Services Officer (AVSO)– June 2019

Issue 2 - Float Verification

- a) Observation** – The Visitor Information Centres maintain a till float (between £30-£50) and these were verified as being correct during our audit testing. We were advised by VIC staff that the floats are counted at the start and end of each day, however only one of the two centres visited had a documented sign-off procedure in place to verify that this check has taken place (and this was not routinely signed by both the Duty Officer and VIC staff as outlined in the centre’s cash handling procedure).

Audit was also advised that surprise cash counts do not routinely take place; staff at some VICs frequently work on their own and therefore it would be beneficial if the assistant VSO performed random spot checks when visiting centres to provide additional controls in this area.

- b) Implication-** If floats are not regularly counted and the count documented, there is a risk that any discrepancies in the floats will not be identified and there will be greater risk of opportunity for misappropriation of cash.

- c) Priority Rating-** 3

- d) Recommendation-** Consideration should be given to ensuring that signed evidence is retained of all floats being reconciled on a daily basis. This would provide additional assurance should any discrepancy occur.

- e) Management Response-** Random checks will now take place

- f) Responsible Officer & Implementation Date-** AVSO – April 2019

Issue 3 – Till Reconciliation and Lodgement

- a) Observation-** At the end of each day, VIC staff cash up by removing the cash drawer and counting and recording its contents. Cash is then bagged and stored securely in a safe in preparation for lodgement. From a review of available documentation and discussion with staff the following issues were noted:

- At Coleraine VIC the daily cash total from the till is noted at the side of a cash sales sheet (used to record each individual item sold that day) and the x report from the till is attached, however a proper cash reconciliation is not documented noting any small unders/overs; instead staff amend the balance by adding to or taking from a change bag so that the takings agrees to the till report.
- As there is normally only one staff member present at Coleraine VIC, there is no review of the daily takings and lodgement preparation by a second staff member prior to banking. (although cash lodgements are typically <£150)
- At RVACC, the daily takings are reconciled to the till reports and any small overs/unders are not recorded on a cash reconciliation sheet; instead the float is adjusted up or down and the new value of the float is recorded on

the float sheet (although audit noted only small changes over a 3 month period)
b) Implication- If discrepancies are not identified and recorded, there is an increased risk that these are not investigated fully and misappropriation due to errors or otherwise remain undetected. A lack of documented cash reconciliation and oversight by a second staff member means that there is a lack of segregation of duties and an increased risk of errors or irregularities going unnoticed.
c) Priority Rating- 2
d) Recommendation- Staff who are responsible for cashing up at the end of each day/shift and for reconciling till reports to the takings should ensure that any under/overs are recorded, and lodgements should reflect actual takings. Any discrepancies above a certain limit should be investigated further. To facilitate this, an end of day/ shift income reconciliation sheet should be completed, detailing the takings from the cash drawer, the float amount and daily cash for banking and should then be checked against the till report noting any variances between the two. This should be signed (and rechecked where possible by a second staff member), dated and filed to complete the audit trail. Lodgement arrangements should be reviewed to determine whether lodgement preparation and banking could be made during periods where more than one staff member is on site (when possible or particularly for larger amounts e.g. at shift handover or when the Assistant VSO visits the centre).
e) Management Response- Recommendation will be implemented
f) Responsible Officer & Implementation Date- AVSO - June 2019

5.2 Risk 2– Stock

ISSUE 4 – Management of Stock

a) Observation- Similar to our observation referred to in issue 1, audit noted there are no standard stock management procedures in place across the Visitor Information Centres. Legacy procedures continue to be used where available but are out of date and do not reflect current controls and processes around the recent development of spreadsheets that are used to record stock movements.
b) Implication- There is a risk that staff are not aware of, or not applying the same stock management procedures across all Council VICs and as such inconsistencies can arise or errors may not be identified.
c) Priority Rating- 3

<p>d) Recommendation- A documented stock management procedures manual should be produced for VIC staff to include guidance on the following:</p> <ul style="list-style-type: none"> • Purchase Orders • Stock deliveries • Stock takes • Stock spot checks • Stock security • Stock system corrections • Stock transfers between VICs
<p>e) Management Response- Recommendation to be implemented. New income reports will assist here</p>
<p>f) Responsible Officer & Implementation Date- AVSO June 2019</p>

ISSUE 5 – Stock Takes

<p>a) Observation- Audit was advised that a full stock take is completed annually, however there were incomplete records to support this at both VICs visited; Audit was advised that spot checks on stock levels are carried out by staff during the year however they are not well documented or followed up on; for one spot check carried out by a staff member in early November 2018, 2 small variances were noted (from a sample of 15), however these were not formally reported. (Stock takes on record prior to this were dated March 2017 and December 2016). Audit carried out a similar exercise, checking stock per the stock management system to that on display and/or in storage (and vice versa) and noted a variance in 3 out of 10 items checked.</p>
<p>b) Implication- Although the quantity and value of stock held at the VICs is small, where stock takes, and spot checks are not completed on a regular basis and documented there is a risk that differences in stock levels between the stock system and physical stock may not be identified and it may not be possible to determine the reasons for stock variances at the year end.</p>
<p>c) Priority Rating-3</p>
<p>d) Recommendation- Now that all VICs have spreadsheets and/or a stock management system to record stock movements, a complete stock take should be performed and documented at least once per year. This should be supplemented by periodic spot checks on a random selection of VIC stock to ensure that stock levels are correct and any variances can be investigated and corrected on the spreadsheets/ Samstock stock management system. Standard formats for recording the results should be used when performing these checks.</p>
<p>e) Management Response- Recommendation to be implemented. New income reports will assist here</p>

f) **Responsible Officer & Implementation Date-** AVSO April 2019

ISSUE 6 – Receipt of Stock from Third Parties

a) Observation- The Council's Tourism Services promotes the work of local artisans through the sale of handmade gifts, produce, homewares and jewellery from third party crafters at the VICs. Crafters are reimbursed by cheque (following completion of a cheque requisition form by VIC staff and authorisation by the VSO) on a quarterly basis and the Council receives 20% commission in return. The arrangements around the receipt of stock from third parties is ad hoc across the VICs; items for sale may be delivered directly to the VICs or via the Assistant VSO and individual crafters may produce hand written delivery notes or confirmation slips. Audit was advised that no official receipt are issued to the crafters at the VICs upon receipt of goods for resale. We were advised that any items from third party crafters are promptly 'delivered' i.e. entered on the stock management system/ spreadsheet. From a review of a sample of 9 delivered items on the system, audit noted 4 occasions where there was back up documentation confirming what had actually been received.

Audit also noted that an Independent Supplier Sale or Return Agreement has been developed outlining the terms and conditions of the sale of third-party goods (and refers to the formal sign in and releasing of goods). However; audit testing revealed that there was no copy of a signed agreement at the VIC for 5 out of 9 the crafters reviewed.

b) Implication-
In the absence of documented agreements and documented evidence of goods received from local crafters there is a risk of a lack of audit trail to resolve any stock discrepancies and no clear understanding of the terms and conditions of the sale of third-party goods which may result in disagreements with suppliers.

c) Priority Rating- 3

d) Recommendation- Consideration should be given to implementing a receipt for goods delivered by third party crafters to the VICs to formally record what has been received. Similar records should be kept for releasing items back to third party crafters. Signed copies of the Independent Supplier Sale or Return Agreement should be in place at each of the VICs as confirmation that both the Council and crafters agree to the conditions of the sale.

e) Management Response- Recommendation to be implemented. New income reports will assist here

f) **Responsible Officer & Implementation Date-** AVSO May 2019

5.3 Risk 3 – VIC Performance

No issues to report.

Appendix I: 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 II: Summary of Key Controls Reviewed

Tourism Services

Risk	Control issues
<p>There may be insufficient controls in place in relation to the receipt of income at point of sale, reconciliation of takings and inaccuracies in recording income leading to an increased risk of loss of income to the Council due to misappropriation or errors</p>	<ul style="list-style-type: none"> • Cash handling procedures are in place to provide guidance to staff collecting payments • Adequate training is provided to staff who handle cash • 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 • Cash 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 - • 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. • There is adequate completion of daily/ weekly cash sales sheets • There is adequate Manager/ Supervisor oversight over the reconciliation process and evidence of this • Surprise cash counts are performed periodically • Monies received are properly coded and are correctly recorded in the Council's finance systems • An appropriate procedure is in place to ensure all income is promptly and accurately recorded in the finance system

Risk	Control issues
<p>The Visitor Information Centres may not have stock management procedures in place leading to unauthorised stock purchases, inefficient stock levels and inadequate security arrangements surrounding stock storage</p>	<ul style="list-style-type: none"> • All VIC stock is procured in compliance with the Council's procurement policies • All stock received is recorded in a timely manner to allow accurate stock levels to be determined at any given time. • Security arrangements are in place for the secure storage of surplus VIC stock (not on display to the public) to reduce the potential for the misappropriation of stock • Security arrangements are in place for stock items on display to the public to reduce the potential for the misappropriation of stock • Stocktakes are carried out on a regular basis • Any variances identified between actual and recorded stock levels are reported to management • Management is notified and a report produced where stock items are damaged • There are complete, accurate and up-to-date stock records maintained and that all stock received, issued, or otherwise disposed of is accurately recorded and accounted for.
<p>There are inadequate controls in place relating to the performance of Visitor Information Centres leading to poor experience of the Centres by users and lack of value for money (both financial and non financial) to the Council and community</p>	<ul style="list-style-type: none"> • There are clear governance arrangements within Tourism Services • There is a business plan for Visitor Information Services • There is a marketing strategy for Tourism • Performance targets have been set for VICs • Performance targets are monitored regularly • Performance of VICs is reported to senior management and Council • Realistic annual and monthly budgets are developed • The actual position against budgets is monitored regularly • Performance and feedback from users is monitored • User feedback is collected and acted upon

Appendix III: Points for the Attention of Management

Staff Meetings

Visitor Services Officer (VSO) and Assistant Visitor Services Officer (AVSO) meet regularly with the Destination Manager so discuss all aspects of tourism including the VICs. We were advised that it can be difficult to hold group meetings with all VIC staff, mainly due to the geography of the centres and the need to provide alternative staff cover for such meetings. The VSO operates an open-door policy where staff can contact her directly and the Assistant VSO also visits the VICs on a regular basis (monthly) and is available to discuss any issues. However; no formal meetings take place to discuss day to day operations, current and upcoming developments, staffing matters and other relevant topics and to ensure solid lines of communication across the VICs. Consideration should be given to introducing a more formal process of meetings to exchange and share information and to report on performance. Details of any actions for follow up should be recorded and reported at future meetings.

Management Response: A schedule of meetings is to be rolled out in the coming months - VSO