



Colchester Borough Council

Final Internal Audit Report

Museums Merged Services – Admissions, Shops and Inventories (Ref: 219)

June 2017

This report ("Report") was prepared by Mazars LLP at the request of Colchester Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. The Report was prepared solely for the use and benefit of Colchester Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility on Appendix 5 of this report for further information about responsibilities, limitations and confidentiality.

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1. Executive Summary



1.1 Introduction

This internal audit forms part of the agreement between Mazars LLP and Colchester Borough Council (the Council). This report details the results of the internal audit of the controls in place in over the Museums Merged Services and has been undertaken in accordance with the approved Internal Audit Plan for 2016/17. Our audit approach and a summary of the work undertaken are provided in the Audit Framework in Appendix 1.

1.2 Background

A joint partnership agreement is in place between the Council and Ipswich Borough Council (IBC) for the operation of the museum sites. The audit has covered sites belonging to both Councils, including Christchurch Mansion, Ipswich Museum, Colchester Castle, the Natural History Museum and the Museum Resource Centre in Colchester. It was noted that, at the time of the audit, the Museum Resource Centre was being relocated to a new site in Heckworth Close (out of the town centre). The current location in Ryegate Road, opposite the Castle, is to be sold.

1.3 Audit Opinion

Audit Opinion & Direction of Travel	No Assurance	Limited Assurance	Substantial Assurance	Full Assurance
	We categorise our opinions according to the assessment of the controls in place and the level of compliance with those controls.			
				
				
Rationale Supporting Award of Opinion and Direction of Travel	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix 1) indicated that:</p> <p>While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.</p> <p>This opinion results from the fact that we have raised two Priority 2 and two Priority 3 recommendations.</p> <p>The audit was last visited in February 2016, where a Full Assurance opinion was given. As a result there has been a deterioration in the direction of travel.</p>			

1.4 Summary of Findings

Policy and Procedures

When new staff join the Museums Team, they are issued with a hard-copy folder of relevant policies and procedures, including:

- Cleaning and Gallery Procedures;
- Compliments and Complaints Procedures;
- Donation Boxes and Vending Machines procedures;
- Emergency Procedures;
- Health and Safety Procedures;
- Lost and Found Property Procedures;
- Object Entry (Identifications);
- School and Group Visits Procedures;
- Security Procedures; and
- Shop and Till Procedures.

Further copies of these are made available in the Museum Resource Centre office if required. There are plans to make a copy of the policies and procedures available online, as part of the Council's target of a 'paperless office'. It was confirmed by the Colchester Museums Manager that procedures are updated as required. Staff are required to sign a record to evidence receipt of their folder, however, at the time of the audit, the sign-off sheet record could not be located. A recommendation has been raised (Recommendation 1).

Banking and Accounting for Income

Monies received through admissions and shop / vending machine takings are banked regularly with the cash collection service operated by G4S. Cash Takings Records (CTRs) are completed, in all locations when tills are cashed up, and are signed by the two members of staff. The total value from the CTRs are carried through to the daily Collection and Deposit (C&D) form which is then copied across to the paying-in slip that is put in the G4S cash collection bag. Our random sample testing of 30 CTRs (20 from Colchester sites and 10 from Ipswich sites) found that one form was only signed by one officer. A recommendation has been raised (Recommendation 2).

Random sample testing was also performed to confirm that G4S collection receipts were retained. No anomalies were identified as in each of the 30 cases examined the receipt was held on file. After processing by G4S, the money collected is paid into the Council's general fund bank account. The Income Officer reconciles the value banked against the amount of money recorded as taken by the Museums. Scanned copies of the C&D forms are examined and the money is allocated to the correct fund within the General Ledger. A random sample of 30 C&D sheets was tested to verify that all income collected by G4S had been banked. No anomalies were identified from our testing.

Where refunds are made, it is policy for the receipts to be double-signed; attached to the C&D sheet for the day; and filed on site. Our random sample testing of 30 refunds was completed to verify that policy in place was being adhered to. Testing found that two receipts were not present and in three cases, the refund had not been double-signed. A recommendation has been raised (Recommendation 2). It was noted that checking of refunds is performed on a quarterly basis with the Retail Manager selecting five refunds at random to be investigated by a Duty Officer.

Security of Keys

For all locations, a key holder register is held showing which officers have been issued keys; which keys they were issued; when they were issued; and if they have been returned since issue. Keys were found to be held in lockable safes and access to these was restricted to Duty Officers. It was confirmed that annual reviews are performed of key-holders registers with the last one undertaken in January 2017.

Maintenance of Inventories

Where accessions are made, details are recorded on the Accessions Register (a bound document completed by hand). For all accessions a standard Entry Form has to be completed, a controlled item of stationery, and retained on file. The Modes Complete database is used to record item details, a photo and the location of the item and whether in stores or in an exhibit. Where items are transferred or loaned out an Exit Form is completed. The Exit Form has to be authorised with the destination, custodian and expected return date recorded.

Testing was completed to verify that: - Entry and Exit Forms were being completed; the Modes Complete database was being updated fully; and that items could be traced to their recorded locations as shown. The tracing of items to their recorded location was completed at the Colchester sites only as IBC carry out their own inventory audit. Testing of a random sample of 20 accessions (10 from Colchester sites and 10 from Ipswich sites) found anomalies in the completion of Entry Forms. A recommendation has been raised (Recommendation 3). It was noted however, that all accessions tested at the Colchester sites could be traced to their location using the Modes Complete database.

Testing of Exit Forms (10 from Colchester and 10 from Ipswich) identified one Exit Form which had been signed out as being used, but where the completed form could not be located within the Exit Forms Folder, and three Exit Forms that had not been completed to show the return of items to the collection. A recommendation has been raised (Recommendation 4).

Retail Stock Control

The Retail Manager confirmed that a full check of retail stock levels is performed annually, as well as quarterly stock checks that are carried out for a random sample of 10 product lines at all locations. Stock checks are based on the stock values stored on the Electronic Point of Sale (EPoS) system, which is updated as new stock is delivered.

Testing was carried out for a random sample of 30 purchases of stock (20 for Colchester and 10 for Ipswich) to verify that stock received was added to the EPoS system's stock file. Although one instance was found where stock had not been added to the system, this was deemed to be an isolated incident occurring where the remaining items ordered arrived several months after the initial delivery. No recommendation has been raised as at the time of the audit the Accounts Payable Team were contacted and asked to update the standard Museum Purchase Order form to include a clause that 'we are unable to accept back orders' which should prevent this from re-occurring.

A recent order for the Museum was obtained and it was confirmed to contain the clause. The Retail Manager confirmed that no formal transfers of retail stock between locations had occurred.

Insurance Arrangements

It was confirmed that Public and Employer's Liability insurance policies are held; managed by the Risk and Insurance Officer. Policy documents were found to be available on request from staff at the Museum Resource Centre.

1.5 Acknowledgement

We would like to thank staff at Colchester Borough Council for their assistance during the audit.

2. Observations and Recommendations

The recommendations from the report are presented below to assist you with the implementation of change.

Adequacy and Effectiveness Assessments (definitions are found in Appendix 2)	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Policies and Procedures	Adequate	Partly Effective	0	0	1
	Banking and Accounting for Income	Adequate	Partly Effective	0	1	0
	Security of Keys	Adequate	Effective	0	0	0
	Maintenance of Inventories	Adequate	Partly Effective	0	1	1
	Retail Stock Control	Adequate	Effective	0	0	0
	Insurance Arrangements	Adequate	Effective	0	0	0
Total				0	2	2

Policies and Procedures

2.1. Procedures Sign-Off

Priority 3

Recommendation	Rationale	Responsibility
<p>The missing procedure sign-off document should be replaced. In addition, a leaver's process should be put in place to help ensure that outgoing staff brief the required officers on their role and hand-over relevant documents.</p>	<p>Replacing the missing procedures sign-off document will provide management with additional assurance that staff have access to the various operating procedures.</p> <p>It was found during testing that the sign-off form for the issuing of procedures had been misplaced, following a change in staff.</p> <p>In the absence of the procedures sign-off form, there is no evidence that staff have been made aware of and have understood the procedures to be followed.</p>	<p>Business Support and Senior Duty Officer</p>
Management Response		Deadline
<p>The procedures manual is in the process of digitisation and will be available on SharePoint for all colleagues to access. This will help to negate document misplacement. Staff and new starters will receive an email to inform them of the location of the file and to advise them of updates. In addition a hard copy will be available to colleagues at the reception and in the staff communal areas. A sign-off sheet will be placed at the front of the manual and will be updated annually.</p>		<p>Complete Full digitisation and updates by 31 January 2018</p>

Banking and Accounting for Income

2.2. Audit trails for cash takings and refunds

Priority 2

Recommendation	Rationale	Responsibility
<p>Staff should be reminded of policies and procedures, notably in the areas of Cash Takings Records (CTR) and refunds.</p>	<p>Ensuring that documents are properly completed and retained will help to ensure that a full audit trail is in place for all transactions.</p> <p>Our testing identified:</p> <ul style="list-style-type: none"> • Two instances where the refund receipt had not been retained; • Three instances where the refund had not been signed-off by two separate officers (as required in the procedures); and • One instance where a CTR form had been signed by only one staff member. <p>Unless refunds are correctly authorised and evidence retained, there is an increased risk that inappropriate refunds are made and as a result, the Council loses money. In addition, where CTR forms are not signed-off by an independent member of staff, there is an increased risk that errors / differences in the daily takings are not identified and investigated.</p>	Retail Officer and Senior Duty Officer
Management Response		Deadline
<p>Additional procedures have been put in place to ensure that the all refund dockets are retained, signed and counter signed with a reason for the transaction annotated. On a monthly basis 20-30% of refund transactions for the site are picked at random from the EPoS system for audit checks. The checks are conducted by a Duty Officer from each site, who will locate the refund receipt and make note of the signatories or conduct an investigation should a receipt be missing any of the information. The findings are counter signed by the Retail Officer. The information is all digitised and the monthly audit check along with any investigations are kept in the 'Refund Audit' folder on the P: Drive.</p> <p>Colleagues who conduct the cash up have been reminded that this duty is for completion, checking by two members of staff, and that all CTR sheets must be counter signed by the person checking.</p>		<p>Complete</p> <p>Complete</p>

Maintenance of Inventories

2.3. Accessioned items

Priority 3

Recommendation	Rationale	Responsibility
<p>An Entry Form should be completed for all accessioned items Where an item has been accepted in the past and no Entry Form was completed, a narrative should be added to the Modes database to show that the lack of Entry Form has been noticed.</p>	<p>Ensuring that documents are properly completed and retained will help to ensure that a full audit trail is in place for all items held at the museums.</p> <p>Our testing identified:</p> <ul style="list-style-type: none"> • Six instances where Entry Forms had not been completed for accessioned items. <p>Unless Entry Forms are completed, there is an increased risk the Council will be unable to evidence when and who left / donated the item, in the event of a query and/or dispute over ownership.</p>	<p>Senior Collections & Learning Curators for Colchester and Ipswich</p>
Management Response		Deadline
<p>From 1 June 2017, all accessioned items will be accompanied by a completed entry form in line with Accreditation and Spectrum Standards (Treasure Act items and archaeological excavation archives are subject to a separate legal process with entry documentation, but not necessarily entry forms).</p> <p>With regard to old acquisitions the ongoing Collections Information Programme in Ipswich will identify the status of objects based on historical documentation including the Accessions Register. The status of an object will be recorded in Modes. It is worth noting that items received before the early 1990s will not be accompanied by an Entry Form as these did not exist. Instead transfer of title will have been given by letter or other document which are retained in Further Information files as hard copies.</p>		<p>Complete</p>

Maintenance of Inventories

2.4. Exit Form return dates

Priority 2

Recommendation	Rationale	Responsibility
<p>A system should be in place so that items due for return are flagged. If items are not shown as returned on the system, then action should be taken to secure return / ensure that the system is up-to-date.</p> <p>In addition, where gaps occur in forms being placed in the Exit Forms Folder, the reason should be investigated to help identify the reason (spoiled forms should be annotated and retained on file) for its absence.</p>	<p>Having a formalised process for logging / following up items loaned out, will provide management with additional assurance that a proactive exercise is undertaken to secure the return and the artefacts are securely retained.</p> <p>It was identified that three items which had been loaned out this financial year had not been signed back in, despite their 'returning' date having passed. It was confirmed with the Senior Collections & Learning Curator (Colchester) that these items had been returned but that the Exit Form had not been updated with the date of return.</p> <p>In addition, one Exit Form had been signed out as issued, but could not be locate within the Exit Form folder</p> <p>In the absence of a system to flag artefacts due to return, there is an increased risk that items with outstanding return dates are not noticed, leading to non-return of items to the collection.</p>	Heritage Manager
Management Response		Deadline
Both Collections Information Officers will meet quarterly with the Heritage Manager to review current and proposed loans. This will include a checklist of return dates which links to the formal Exit Form record.		1 June 2017

Direction of Travel

⇒	Improved since the last audit visit. Position of the arrow indicates previous status.
⇐	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively - i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Appendix 1 - Audit Framework

Audit Objectives

The audit was designed to assess whether management have implemented adequate and effective controls in respect of Museums Merged Services.

Audit Approach and Methodology

The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope.

The following procedures were adopted:

- identification of the role and objectives of each area;
- identification of risks within the systems, and controls in existence to allow the control objectives to be achieved; and
- evaluation and testing of controls within the systems.

From these procedures we have identified weaknesses in the systems of control, produced specific proposals to improve the control environment and have drawn an overall conclusion on the design and operation of the system.

Areas Covered

Audit work was undertaken to cover the following areas:





- Policies and Procedures;
- Banking and Accounting for Income;
- Security of Keys;
- Maintenance of Inventories;
- Retail Stock Control; and
- Insurance Arrangements.

Appendix 2 - Definition of Audit Assurance

Assurance Gradings

For each audit, we arrive at a conclusion that assesses the audit assurance in one of four categories. These arise from:

- Our testing opinion: we check whether the controls said to be in place are being consistently applied.

	Full Assurance	There is a sound system of internal control designed to achieve the Council's objectives. The control processes tested are being consistently applied.
	Substantial Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Recommendation Gradings

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority Level	Definition
1	Major issues for the attention of senior management and the Governance and Audit Committee.
2	Important issues to be addressed by management in their areas of responsibility.
3	Minor issues resolved on site with local management.

Appendix 3 - Staff Consulted

Staff Consulted

- Tom Hodgson Colchester Museums Manager
- Pippa Pickles Senior Duty Officer
- Claire Sanders Retail Officer
- Damian Etherington Senior Collections & Learning Curator (Ips)
- Glynn Davis Senior Collections & Learning Curator (Col)
- Danielle Northcott Income Officer

Draft Report Distribution

- Lucie Breadman Head of Community Services
- Tom Hodgson Colchester Museums Manager
- Pippa Pickles Senior Duty Officer
- Hayley McGrath Corporate Governance Manager

Final Report Distribution

- All of the above

Audit Team

- Mark Towler Director
- Alan Woodhead Engagement Manager
- Sarah Watkins Field Manager
- Jonathan Price Auditor

Key contact for this audit will be

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Appendix 4 - Audit Timetable and KPIs

	Dates	Target KPI	Days Taken
Planning meeting	5 January 2017		
Fieldwork start	16 January 2017		
Fieldwork completion	8 March 2017		
Exit meeting	8 March 2017		
Draft report issued to client	16 March 2017	15 days	6 days
Management response received	7 June 2017	15 days	54 days
Final report issued	8 June 2017	10 days	1 day

	KPI for Annual Plan	Percentage for Audit
Percentage of FTE fully or partly CCAB/IIA qualified input	65%	60%
Percentage of recommendations accepted	95%	100%

Appendix 5 - Statement of Responsibility

We take responsibility to Colchester Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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