

Appendix D

Derby City Council – Markets

Final Audit Report



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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1 Executive Summary

1.1 Scope of Audit

- 1.1.1 This audit focused on ensuring that markets' income due was correctly identified, receipted and banked promptly, that traders were charged for the stall occupied and that stall rental charges were periodically reviewed. The audit also focused on ensuring arrears were monitored frequently and attempts were made to recover any outstanding monies. Finally, a review of the security arrangements was made to ensure markets premises and income held were adequately safeguarded.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Income due relating to the markets service is correctly identified, receipted, banked promptly and reconciled to the Market Trader's account where necessary.	14	11	3	0
All traders are charged for the stall occupied and that rental charges are periodically reviewed.	4	3	1	0
Arrears are frequently monitored and attempts are made to recover any outstanding monies.	12	6	5	1
Adequate security arrangements are in operation to safeguard the premises and all income held.	10	10	0	0
TOTALS	40	30	9	1

- 1.2.1 The following issues were considered to be the key control weaknesses:

- The collection of fees from the catering vehicles attending the Car Boot was not being recorded separately on the cash book record making it impossible to verify how many vehicles had attended and how much they had been charged.
- Two members of staff were transporting monies from the Cattle Market Car Boot to the Eagle Market with a value in excess of the Council's cash handling insurance limits. They were therefore not complying with the Council's Cash Handling Policy and Procedures. In addition, there was no secure facility at the Cattle Market in which to store cash prior to its transfer.
- Market charges had not been increased since 2010 and no evidence was made available to demonstrate that they had been reviewed as part of the annual budget review.
- There was no approved Council policy in place for offering concessions on rental charges to market stall traders in the Council's three markets.
- Traders were occupying stalls and paying a discounted fee which had not been formally approved by the Council. One arrangement was in place with a trader which was not known about by management.
- Where multiple stalls were occupied, the number of stalls wasn't made clear on the receipt raising questions as to the value of cash collected from the trader.
- There was no Markets Debt Management policy in place to provide guidance on the recovery of debt owed by market traders.
- There was no senior officer representing the Accounts Receivable team attending the monthly markets arrears meetings.
- Recovery action decided at the markets arrears meetings and detailed in the arrears schedule was not always recorded in the Accounts Receivable system.

- Recovery action had not been taken against a debtor who had not paid the Council since March 2011, due to their account being in dispute. The dispute had not been resolved either.
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- Senior Management were not being regularly informed of the level of market debt which may lead to poor decision making in relation to budgets and other management issues.

This report focuses on the weaknesses in the Council's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains 12 recommendations, 7 are considered a low risk, 5 a moderate risk, none a significant risk, and none are considered to be critical risk.

- 1.2.2 All 12 issues raised within this report have been accepted and positive action has already been taken to address 7 of the issues raised. Action will be taken by the beginning of January 2014 to address 3 further issues with the remaining 2 issues being addressed by the end of March 2014 and beginning of April 2014.

1.3 Summary of Control Assurance Provided

- 1.3.1 **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

Management and the Audit Committee should note that there are no adverse implications for the organisation's Annual Governance Statement arising from this work.

1.4 Distribution & Communication

- 1.4.1 The draft version of this report was issued to Julian DeMowbray, Head of Trading Standards and Bereavement Services for comment.

The final version of this report has been issued to Paul Robinson, Strategic Director for Neighbourhoods with copies to:

- John Tomlinson, Director of Environment and Regulatory Services.
- Julian DeMowbray, Head of Trading Standards and Bereavement Services.
- Gary Marshall, Bereavement Services and Markets Manager.

This report was produced by Lynne Parkin, Principal Auditor and Mandy Marples, Assistant Audit Manager. Any enquiry concerning the content of this report or associated issues may be made to Lynne Parkin, Principal Auditor on ext. 3258.

2 Findings & Recommendations

2.1 Income Collection

2.1.1 We attempted to establish whether the Council's system of control for income collection contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- Manual cashbook records were completed which detailed where the income had come from e.g. collection from Allenton Market or the Sunday Car Boot. The records provided a breakdown of the cash collected, the receipt numbers that had been issued and the cash collection reference numbers relating to when the cash had been collected by security firm G4S. These were completed by the officers collecting and counting the cash and signed by two officers. Electronic records were also maintained by the Senior Finance Officer (providing segregation of duties) who monitored and recorded the details of the cash being collected and banked.
- Collectors gave official Council receipts or tickets for the income they collected and the numbers that had been issued were recorded in the cashbook record to evidence the value of cash collected. In addition, the Senior Finance Officer recorded and monitored the use of receipt and ticket numbers to ensure that numbers issued were consecutive and that none were missing.
- We reviewed a sample of income collections that had taken place at Allenton Market, the Car Boot, Pay & Display parking, the Eagle Market and Market Hall. We were able to confirm that a cash book record had been completed for each collection we reviewed and that these recorded the details of the monies that had been collected. The records also detailed the number of the bag in which the monies had been placed for submission to G4S along with the number of the bank paying in slip which allowed us to confirm the banking of the monies in the Council's bank statements. We agreed a sample of 15 daily collections made at Allenton Market back to the receipt details that had been issued to stall holders and confirmed the values of the monies collected.
- We were also able to confirm that audit tickets from the pay & display car parking machines were available and attached to the cash book records to evidence the value of money collected from the pay & display machines. The Senior Finance Officer recorded collections from the pay & display machines showing the numbers of the audit tickets running consecutively or where, on occasion, no ticket had been produced. The absence of an audit ticket was recorded and monitored by the Senior Finance Officer who alerted the Markets Officer or Operations Manager in case an engineer was required to attend.
- Cash was collected and stored in an across the body bag, in the style of a satchel whilst being collected from market traders and Car Boot traders. This served to enable change being given to traders if necessary, but also served as a separate receptacle for officers in which to collect cash.
- From the sample of income collections we reviewed, we were able to confirm that monies had been banked promptly and were recorded in the Council's bank statements shortly after having been collected. The cash book records that had been completed for each collection made, recorded the make-up of cash that had been collected; evidencing that cash had been banked in the form that it had been collected.
- Cash was collected and receipted on transfer from the Eagle Market to security firm G4S. On preparing for banking, the money was placed in tamper proof labelled bags with administration details such as paying in slip number, inner bag number, grey bag number, amount of income and split of money between notes and coins. Collections were made on Mondays and Fridays to ensure that income (particularly Sunday Car Boots, which had the largest cash collection) was banked promptly.
- The issue and control of receipt books was now undertaken by the Business Support Hub. They maintained a list of officers who had been approved to be issued with a receipt book. When a receipt book was required, the officer was required to present the used receipt book to evidence all the receipts had been used or the remaining receipts cancelled before a new one could be issued. This was recorded by officers within Business Support. We observed

that a form was completed and signed by the officer requesting the receipt book with this record being kept and maintained by Business Support.

- We observed that officers were required to complete and sign a receipt book request form when a receipt book was required. Officers were required to declare the function that the receipt book was required for, how many books were required and sign to confirm that they had collected the book. We reviewed the receipt book request forms that had been completed by officers from the Markets function from April 2012 to June 2013 and we were able to confirm that all had been signed for and stipulated the reason the book was required.
- Cash collections were no longer made by Markets Officers in respect of market stall rents in the Eagle Market and Market Hall. Instead, stall holders were sent a monthly invoice and either paid by direct debit or by other means as specified on the invoice. This change in procedure therefore negated the need to reconcile individual market trader accounts to the cash collected. We were able to confirm that the requirement to pay by direct debit was included within lease/tenancy agreements that stall holders were required to sign.
- Discussion with the Markets Officer & Operations Manager revealed that cash collections were now only taking place in respect of Allenton Market, casual parking at the Eagle Market, the Sunday Car Boot, pay & display parking and the telephone. All cash collections were undertaken by two officers with supporting documentation sent to the Senior Finance Officer for checking and monitoring. Review of the cash book records revealed that two officer signatures were present on the records demonstrating two officers were signing to confirm their agreement of the cash collected and banked.
- The Senior Finance Officer recorded all the income that had been collected by the Markets staff on a weekly basis and therefore monitored that all income had been collected as expected and any unders or overs on banking. This officer was independent of the collection process undertaken by the Markets staff thereby providing segregation of duties in the recording and monitoring of the monies due to the Council. Separate records were maintained in respect of the differing sources of the cash collected.

2.1.2 We expected that we would be able to agree the cash collected to source documentation to verify the amount of income collected.

When we reviewed the cash book records for the Cattle Market Car Boot, we were able to see how many tickets had been sold at the standard price of £12. However, catering vehicles also attended the Car Boot event and were charged £36 (3 tickets @£12) but these were not separately recorded on the cash book record. This made it impossible to verify how many catering vehicles had attended the event and how much they had been charged.

If collection records are not itemised to reflect the number of tickets sold in respect of the catering vehicles and the fee collected, there is a risk that traders may not have been charged the full price. In turn, this could leave markets staff open to possible allegations of misappropriation of monies that were due to the Council.

Recommendation 1	Summary Response
<p>Risk Rating: Moderate Risk</p> <p>Summary of Weakness: The collection of fees from the catering vehicles attending the Car Boot was not being recorded separately on the cash book record making it impossible to verify how many vehicles had attended and how much they had been charged.</p> <p>Suggested Actions: We recommend that the cash book record for the Car Boot is completed to separately record the tickets sold to catering vehicles such that it is clearly evidenced how many catering vehicles attended and how much they were charged.</p>	<p>Responsible Officer: Sid Holland</p> <p>Issue Accepted</p> <p>Agreed Actions: Separate tickets now issues as recommended</p> <p>Implementation Date: Completed</p>

2.1.3 We expected that cash collections would be banked straight away, or where they are not, that they would be securely transferred and placed in a secure safe with safe limits not being exceeded.

Cash collections were being placed in the Eagle Market safe awaiting collection by G4S who collected on Mondays and Fridays. This was to ensure that cash collections were timely following the Sunday Car Boot (Monday collection) and other weekly collections (covered by the Friday collection). The safe limit at the Eagle Market was £6k and since timely collections took place to cover key collection times, the safe limit was not being exceeded.

However, it should be noted that G4S did not collect from the Sunday Car Boot, but instead two members of staff transported the money in their own vehicles from the Car Boot site to the Eagle Market safe. Monies from the Car Boot regularly amounted to a few thousand pounds (on occasion up to £4,000) thereby exceeding the Council’s cash handling insurance limit of £2,500. This occurred 26 times during the 2012/13 financial year. In addition, the Council’s Cash Handling Policy stipulates that if cash collections exceed £2,500 within a one month period, a G4S collection should be set up at the establishment. Collections from the Car Boot significantly exceed this monthly £2,500 limit.

We were also informed that there was a limited secure facility available at the Cattle Market with a locked office being the only available facility to count the cash collected. There was no safe at the Cattle Market either to provide a secure storage facility in which to store the cash prior to being transferred to the Eagle Market safe.

If cash is not stored securely and collected by a specialist security company from the Cattle Market site in respect of the monies collected from the Car Boot, there is a risk that the Council may not be covered by insurance should any financial loss occur. There is also a risk to the safety of Council officers, who could be subject to aggravated robbery.

Recommendation 2	Summary Response
<p>Risk Rating: Moderate Risk</p> <p>Summary of Weakness: Two members of staff were transporting monies from the Cattle Market Car Boot to the Eagle Market with a value in excess of the Council’s cash handling insurance limits. They were therefore not complying with the Council’s Cash Handling Policy and Procedures. In addition, there was no secure facility at the Cattle Market in which to store cash prior to its transfer.</p> <p>Suggested Actions: We recommend that a G4S collection is established to collect Car Boot collection monies from the Cattle Market site each Sunday and that a review is undertaken of all Markets cash collection procedures to ensure the Markets service is complying with the Council’s Cash Handling Policy.</p>	<p>Responsible Officer: Sid Holland</p> <p>Issue Accepted</p> <p>Agreed Actions: Appointment of G4S approved by Bereavement Services & Markets Manager on 04/11/13 and Operations Manager to implement ASAP</p> <p>Implementation Date: 1 January 2014</p>

2.1.4 We expected that a scale of charges would have been established and reviewed annually for the refreshment vehicles at the Car Boot sales and Allenton Market, the lorry wash and for the Eagle Market car parking.

We found that charges had been established at a fixed fee for catering vehicles attending the Sunday Car Boot and Allenton Markets, the lorry wash and Eagle Market car parking. However, there had been no increase to these charges since 2010. We were advised that an increase to charges would have been considered by both the Markets Officer and the responsible officer, the Head of Strategic Asset Management and Estates as part of annual budget income requirements. No supporting documents were submitted to Internal Audit to demonstrate that the review of charges had taken place as part of the annual budget process.

Financial Procedure Rule E2.14 requires Chief Officers *“To ensure there is an annual review of fees and charges and that proposals for the level of fees and charges are approved by the relevant Cabinet Member where these vary from an inflationary increase as notified by the Strategic Director of Resources.”*

If Market charges are not reviewed in accordance with the Council’s Financial Regulations, there is a risk that the Markets service is failing to adhere to the requirements of the Financial Regulations and support the Council in meeting its review of budget requirements.

Recommendation 3	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: Market charges had not been increased since 2010 and no evidence was made available to demonstrate that they had been reviewed as part of the annual budget review.</p> <p>Suggested Actions: We recommend that charges relating to the Market service are reviewed annually in accordance with the requirements of the Council's Financial Regulations, sections E2.13 & E2.14 and evidence of the review should be retained.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: To be reviewed as part of 2014/15 Budget Setting Process</p> <p>Implementation Date: 1 April 2014</p>

2.2 Rental Charges

2.2.1 We attempted to establish whether the Council's system of control for rental charges contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- We reviewed a sample of 10 tenants who were listed as occupying market stalls at the Eagle Market and 10 tenants from the Market Hall. We were able to confirm that a rental charge had been set for each stall we reviewed and that stall holders were being sent a monthly invoice in respect of their stall rental charge.
- Through discussion with the Head of Strategic Asset Management and Estates, we found that market stall rents were last reviewed in 2010 with the review resulting in rent levels being maintained at their current level. Rents were reviewed in line with tenancy agreements which could be for 3 or 6 years or monthly. Rents were next due for review during 2013.
- We reviewed a sample of 20 changes in stall tenancies from both the Eagle Market and Market Hall. We were able to confirm that in all cases, the amendment to the tenancy had been recorded in the billing records promptly.

2.2.2 We expected that rent free periods, trials and other concessions would be in accordance with approved policy and independently authorised.

We found that there had been a 2 for 1 stall offer in place at Allenton Market since November 2011. Traders were advised of this offer in November 2011 and reminded that the offer remained in place in May 2013. It was considered that the offer would enhance the look of the Market and assist the stall holders with their businesses by encouraging further trade. We discovered that the Head of Strategic Asset Management and Estates had provided email approval for the offer on 9 November 2011.

In addition, we discovered that some traders were in receipt of a 50% discount on their rent charge for the first seven months of trading along with a five day rent free period at the start of the tenancy. This was part of a scheme operated by the National Market Traders Federation encouraging potential stall holders to "Be their own boss". Furthermore, discussions revealed that concessions were also being offered to existing stall holders. There was a display licence concession whereby a stall holder could occupy the next adjacent stall, rent free, for display purposes only and an offer where the stall holder paid only the service charge of an additional stall, from which they were allowed to sell their goods.

Given the above concessions that were available to market stall holders, we discovered that there was no approved Council policy in place in respect of the concessions made to market stall holders.

If there is no approved Council policy in place in respect of concessions on market stall rental charges, there is a risk that Council Officers could be offering unauthorised concessions to new and existing stall holders. In addition, there is a further risk that Council Officers could be accused of favouring one trader in receipt of the concession over another, not in receipt of the concession.

Recommendation 4	Summary Response
<p>Risk Rating: Moderate Risk</p> <p>Summary of Weakness: There was no approved Council policy in place for offering concessions on rental charges to market stall traders in the Council's three markets.</p> <p>Suggested Actions: We recommend that an approved Council policy is established which details the concessions that can be offered to market stall traders and which determines the criteria that traders must meet in order to obtain the concession. This would ensure that a fair, transparent and consistent approach is undertaken in awarding concessions to traders.</p>	<p>Responsible Officer: Gary Marshall</p> <p>Issue Accepted</p> <p>Agreed Actions: Fundamental review of concessionary arrangements being carried out.</p> <p>Implementation Date: 1 January 2014</p>

2.2.3 Through our testing on concessions offered to market stall traders, we queried the value of money that had been collected from a particular trader who attended Allenton's Friday & Saturday markets. The charge per stall was £10 for Friday and £12 for the Saturday market.

We identified that the trader regularly paid £35 on a Friday and £36 on a Saturday with the receipt details providing that stalls 49-64 were occupied on both market days. From the details on the receipt and hence the money collected, it was not clear to us how many stalls the trader had occupied considering the payment that had been made and given that we had been made aware of a 2 for 1 stall offer being in place. We queried this issue with the Market Supervisor for Allenton Market who initially informed us that the trader occupied 7 stalls on a Friday. Therefore, given the 2 for 1 offer and the £10 per stall charge, a £35 charge appeared correct.

We then queried the number of stalls occupied at the Saturday market. We were then informed by the Markets Supervisor that the trader currently occupied 8 stalls on both Friday and Saturday markets and "should technically be paying more". We also queried why this same trader had, according to the receipt, paid £24 for stalls 49-64 during the Christmas week 2012. The Markets Supervisor advised us that "this was probably around Christmas or winter time when the weather may have been particularly adverse and few traders could have turned up. In such circumstances some dispensation is occasionally given to support our regular traders who actually bother to turn up. If traders feel they are being unfairly treated for supporting the Market then the income could be £0 if they fail to attend". It should be noted that all other traders had been charged the correct £12 fee. There also appeared to be a concession in place for charity stalls attending the Tuesday market in that they were paying £5.50 per stall as oppose to the £6.50.

The Markets Officer informed us that it could only be assumed that the arrangement with this specific trader must have been in place prior to 2008 since she had not sanctioned any arrangements for discounted stalls other than the 2 for 1 stall offer.

Given the cash collections in place at Allenton Market, if the correct fee is not charged to the trader, there is a risk that the officer concerned could be exposing themselves to unpleasant accusations of favouring one trader over another. Ultimately, this is income due to the Council which is not being received by the Council. In addition, if receipt details do not match the number of stalls occupied and the cash collected from the trader, the risk is that the officer could be subject to accusations of fraud, theft and falsifying accounting records.

Recommendation 5	Summary Response
<p>Risk Rating: Moderate Risk</p> <p>Summary of Weakness: Traders were occupying stalls and paying a discounted fee which had not been formally approved by the Council. One arrangement was in place with a trader which was not known about by management.</p> <p>Suggested Actions: We recommend that the practice to offer unapproved discounted stalls to traders is stopped with immediate effect and that charges are made in accordance with the charge per stall and concessionary offers that are approved by the Council under approved policy. This would ensure and promote fairness amongst traders who may perceive some traders being treated more favourably than others.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: See recommendation 4</p> <p>Implementation Date: Completed</p>

Recommendation 6	Summary Response
<p>Risk Rating: Moderate Risk</p> <p>Summary of Weakness: Where multiple stalls were occupied, the number of stalls wasn't made clear on the receipt raising questions as to the value of cash collected from the trader.</p> <p>Suggested Actions: We recommend that receipt details are completed to demonstrate the actual number of stalls occupied. This would provide transparency by demonstrating the number of stalls occupied agrees to the cash collected from the trader.</p>	<p>Responsible Officer: Sid Holland</p> <p>Issue Accepted</p> <p>Agreed Actions: Instructions issued</p> <p>Implementation Date: Completed</p>

2.3 Arrears

2.3.1 We attempted to establish whether the Council's system of control for market arrears contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- We found that an arrears schedule of market debts still owing was maintained which detailed the total overdue, any changes that had occurred since the previous month and the age of the debt outstanding. The schedule also included action that either had been taken or had been agreed to be taken in an effort to recover the sums owing. The schedule showed that as at 15 May 2013, total market debt owing stood at £405,259.72. Of this, £272,898.47 was owed by former market tenants and £132,361.25 owed by current market tenants.
- Of the 15 cases we reviewed, only 2 had been referred for further enforcement action to be taken through referral to a bailiff. Of the 2, one had been returned from the bailiff since the trader had subsequently been in contact and had made an arrangement to pay. The remaining one had been referred to the bailiff, but again this was not recorded on the accounts receivable system. However, a note had been made to cease bailiff action since the former trader had started to pay £20 on a regular basis. A third case had been identified for potentially referring to the bailiff, but the trader had offered to pay £50 per month. However, the trader was being asked to complete a financial statement to justify the £50 payment before considering further action. We also observed that attached to the arrears schedule was a separate schedule of debts that had been referred to the debt enforcement agencies. This schedule displayed the total amount overdue and whether any payments had been collected by the bailiffs. This demonstrated that the arrears meetings were also monitoring those debts that had been referred to the bailiffs.
- From the 15 cases reviewed, we could see that repossession of the stall had been sought in 8 of the cases we looked at. In the remaining 7 cases, 3 were former tenants, 1 was not a stall

holder and 1 was to be contacted by the Operations Manager for a “last chance” before the threat of repossession of the stall. For the last 2 cases, the option to repossess the stall had not been pursued. This was largely down to one trader offering to pay a regular monthly amount, whilst the other was appearing to pay amounts sporadically. As such their account had been marked for monitoring. However, of those cases where a letter had been issued to the trader seeking repossession of the stall, this had usually resulted in a payment or arrangement being made to stave off the repossession taking place.

- We were able to confirm that where the trader had made an arrangement to pay, these were being monitored regularly at each arrears meeting. The arrears schedule provided details as to the total amount overdue and whether any payments had been made since the last meeting so it could be clearly established whether a trader was keeping to the arrangement or not.
- Credit notes to reduce market debts were raised on the basis of a Property Transaction Form. These were produced by the Markets Finance and Administration Assistant and then passed to the Senior Finance Officer for action. Both of these officers were not involved in the income collection process. We identified that the ability to raise credit notes had been restricted to the Senior Finance Officer and the Operations Manager. However, again, neither officer was involved in the collection of income from market tenants occupying stalls in the Eagle Market or Market Hall thereby reducing any risk of potential financial irregularity.
- Cash collections were no longer taking place from traders who occupied stalls in the Eagle Market and the Market Hall. Whilst cash collections still remained in some market areas, it was considered that sufficient segregation of duties between officers and the procedures in place in respect of the issuing, administration and recovery of debt had been established to minimise the risk of potential fraud occurring.

2.3.2 We expected that a Markets Debt Management policy would be in place detailing the recovery action to be adhered to in respect of market traders owing monies.

Through discussion with relevant officers, we were informed that there was no policy on debt management in place regarding outstanding debts owed by market traders. It was understood that a draft policy had been written, but this had never been approved or properly established and put in place.

If there is no policy on the management of debts owed by market traders, there is a risk that misinterpretations and inconsistencies could occur which could impact on the effective recovery of the money owing to the Council.

Recommendation 7	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: There was no Markets Debt Management policy in place to provide guidance on the recovery of debt owed by market traders.</p> <p>Suggested Actions: We recommend that a Debt Management policy in relation to market debt owing should be established and approved. This should detail the relevant stages of the recovery process and include guidance covering agreements to repay the debt owing, use of bailiffs and at what stage a “walk-in” to reclaim the market stall should be considered.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: Current debt management policy to be reviewed</p> <p>Implementation Date: 31 March 2014</p>

2.3.3 We expected that regular meetings between appropriate officers would take place to monitor the arrears levels.

We were able to confirm that monthly meetings were held to discuss and monitor arrears levels in relation to market debts. The meetings were attended by the Markets Operations Manager, Senior Finance Officer and Legal Officer. Debts were monitored on a case by case basis and any action that had been agreed to be taken was documented in the markets arrears schedule. However, discussion with the Senior Finance Officer revealed that the Team Leader from Accounts Receivable did attend markets arrears meetings prior to leaving the Councils employment. Since her departure, no officer from Accounts Receivable had been in attendance at the meetings.

If there is no senior officer representing the Accounts Receivable team attending and involved in the monthly markets arrears meetings, there is a risk that recovery of debts owing and referral of debts to bailiffs may not be undertaken on a timely basis. In addition, there could also be a risk of recovery action being delayed or missed if an officer from Accounts Receivable does not attend arrears meetings to hear and agree the recovery action to be taken first hand.

Recommendation 8	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: There was no senior officer representing the Accounts Receivable team attending the monthly markets arrears meetings.</p> <p>Suggested Actions: We recommend that the Markets service liaises with the Accounts Receivable team with a view to a senior officer from the Accounts Receivable team resuming attendance at the Markets arrears meetings. Their attendance would enforce and support the existing officers in their debt recovery role and contribute to discussions surrounding the course of action to be taken against the customer.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: Markets Officer or Bereavement Services & Markets Manager to chair meetings going forward</p> <p>Debt Management and legal colleagues asked to attend future meetings</p> <p>Implementation Date: Completed</p>

2.3.4 We expected that reminders would be sent out at appropriate intervals to prompt traders to pay the debt outstanding.

We reviewed a sample of 15 accounts for traders who were in arrears with their market stall rents. Apart from the automatic reminder letters issued by the Accounts Receivable system, we were able to see where the trader had been issued with a letter regarding their arrears and that these had been sent, usually after a meeting to discuss the arrears. However, we did note that there were five cases whereby the arrears schedule detailed that it had been decided to write to the trader but we could not confirm that a letter had been sent since this was not recorded in the Accounts Receivable system.

If letters regarding recovery action are not recorded in the Accounts Receivable system, there is a risk that they may not have been sent to the trader. As such this could delay the impact of any future recovery and adversely affect the recovery of the debt.

Recommendation 9	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: Recovery action decided at the markets arrears meetings and detailed in the arrears schedule was not always recorded in the Accounts Receivable system.</p> <p>Suggested Actions: We recommend that all letters in respect of recovery action to market traders are recorded in the Accounts Receivable system. This would serve to ensure that a complete central record is maintained of all the communication with the trader in respect of attempts to recover the debt owed.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: Debt Recovery staff invited to attend Arrears Meeting to capture agreed actions in addition to receiving electronic version of Arrears Spread sheet.</p> <p>Copies of all Accounts Receivable to be filed on stall specific files</p> <p>Implementation Date: Completed</p>

2.3.5 We expect that debts would be referred for recovery action if payment was not received after a specific period following a reminder being sent out.

Of the 15 cases we reviewed, the arrears schedule provided details as to the recovery action that had been decided based on the traders recent activity e.g. if the trader had made a recent payment or if the trader had made an arrangement to pay, the account had been marked for monitoring. Likewise, if the trader had not paid, the account was identified for a letter to be sent (although it was not always apparent if a letter had been sent – see previous comment). However, we did identify one account for which no recovery action had been taken. Dating back to March 2011, a dispute had been raised by the debtor. Numerous entries on the arrears schedule suggested that the

account was being investigated and looked into, but no further action appeared to have been taken. No payment had been received from the debtor since March 2011, even though they continued to incur the charge and as at May 2013, the amount outstanding now stood at over £11,000.

If disputes are not resolved in a timely manner and appropriate recovery action taken to recover market debts, there is a risk that the debtor will not take future recovery action seriously which could detrimentally affect the ultimate recovery of the debt owed.

Recommendation 10	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: Recovery action had not been taken against a debtor who had not paid the Council since March 2011, due to their account being in dispute. The dispute had not been resolved either.</p> <p>Suggested Actions: We recommend that appropriate recovery action is taken against all debtors who default on their debts relating to the Markets service and that all recovery action taken is escalated in accordance with an approved Markets Debt Management policy.</p>	<p>Responsible Officer: Melinda Kirkland</p> <p>Issue Accepted</p> <p>Agreed Actions: Arrears Meeting now chaired by Markets Officer or Bereavement Services & Markets Manager to ensure actions are followed through.</p> <p>Write Of Policy to be updated in the event of debt recovery not being possible</p> <p>Implementation Date: 1 January 2014</p>

2.3.6 We expected that credit notes to reduce Market debts owing to the Council would be appropriately approved.

We reviewed a sample of 13 credit notes that had been raised against market trader debtor accounts. In 8 of the 13 cases, there was evidence to suggest that the Markets Officer had been consulted or had agreed the raising of the credit note. We were able to confirm that the credit notes had been raised on the basis of the details provided on a Property Transaction Form and that the Senior Finance Officer had provided detailed notes and workings in respect of the credit note raised. In the remaining 5 cases, there was no evidence on the Property Transaction Form to suggest that the Markets Officer had been consulted or had agreed the raising of the credit note.

If credit notes are not approved by a senior officer, there is a risk that monies owing to the Council could be reduced without being properly examined and authorised.

Recommendation 11	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: Not all credit notes were being approved by a senior officer to agree the reduction of debt owing to the Council.</p> <p>Suggested Actions: We recommend that Property Transaction Forms raised to amend a market trader account include an approval from a senior officer to acknowledge and agree the reason for the reduction of debt owing to the Council.</p>	<p>Responsible Officer: Gary Marshall</p> <p>Issue Accepted</p> <p>Agreed Actions: Credit Note approval now signed off by Bereavement Services & Markets Manager.</p> <p>Implementation Date: Completed</p>

2.3.7 We expected that Senior Management would receive regular reports on the level of market debt outstanding.

Through discussion with the Senior Finance Officer, we discovered that other than the Markets Officer, Senior Management no longer received reports on the level of market debt. Apparently, this practice used to be in operation when the markets service reported to the Head of Strategic Asset Management and Estates, but this is no longer in operation.

If Senior Managers are not kept informed of the level of debt owed by market traders, there is a risk that Senior Managers may not be aware of the debt levels in the service area for which they have responsibility. As such Senior Managers may make decisions on budgeting matters or other management issues based on incorrect information.

Recommendation 12	Summary Response
<p>Risk Rating: Low Risk</p> <p>Summary of Weakness: Senior Management were not being regularly informed of the level of market debt which may lead to poor decision making in relation to budgets and other management issues.</p> <p>Suggested Actions: We recommend that Senior Management with responsibility for the markets service receive regular reports on the level of market debt in order that they can monitor and assess the on-going situation.</p>	<p>Responsible Officer: Gary Marshall</p> <p>Issue Accepted</p> <p>Agreed Actions: Markets Officer or Bereavement Services & Markets Manager to attend Arrears Meeting. Bereavement Services & Markets Manager to brief Head of Service at 1:2:1 meetings.</p> <p>Implementation Date: Completed</p>

2.4 Security

2.4.1 We attempted to establish whether the Council's system of control for security arrangements contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- Through discussion with the Operations Manager, we found that documented Evacuation Procedures had been established. These included procedures to be followed for fire and bomb alerts and contained necessary contact information. Risk assessments had been completed for each trader and a plan of the market stalls had been made which displayed the stalls containing potentially hazardous materials (such as aerosols). This was displayed on the office door. In the event of an out of hours break-in, an alarm call went through to Knights Security who attended any call-outs with the police.
- The market office was secured by a number key pad with access limited to markets staff, the security guards and cleaners. One Council networked computer was in the Markets office. Staff could use this computer providing they were Council employees and therefore had the necessary log-in details. We were informed that Knights Security managed access to the buildings. They maintained a list of key holders along with their allocated code for the security panel when accessing the building. This identified who had locked and unlocked the building at those specific times.
- Market premises were protected by a fire alarm system. These were tested on a weekly basis and the test was detailed and recorded in a fire test register.
- In addition to the burglar alarm, the Markets were covered by CCTV cameras which were cited in the corridor leading to the office as well as at various points around the Market Hall. Two Knights Security Guards were also on patrol during the day, one from 6am to 5pm and the second from 8am to 7pm.
- The Markets office was secured by a number key pad with access limited to Markets staff, security guards and the cleaners. During our visit to the Eagle Market office on 9th July 2013, the door to the office had been wedged open, but both the Markets Supervisor and one of the Security Guards was present in the office. We were assured that the office was locked and made secure when it was not in use.
- We found that there was a key cabinet on the wall within the Eagle Market office. This contained keys for different parts of the building. These keys provided access to those areas of the building which required maintenance and were therefore required for visiting contractors. Being within the office, the key cabinet was accessible to those officers who had access to the Markets office. However, a register was maintained such that keys had to be signed for to acknowledge that they were in use.
- Only one safe was in operation which was cited in the back room of the Eagle Market office (out of sight of visitors to the main office). During the course of the audit, we visited the Eagle Market office and we were able to confirm that the safe was locked at the time of our visit.
- When cash was placed in the safe, it was already prepared for banking and therefore placed in tamper proof bags in preparation for the collection by G4S. We were able to confirm that a record was being kept as to the monies that had been placed in the safe and when. This

meant that management would be able to identify how much was in the safe at any one time. This also facilitated monitoring to ensure the safe limit of £6,000 was not exceeded.

- We found that safe keys were held by four officers, those being the Markets Officer, Operations Manager and two of the Markets Supervisors. Through discussion with the Operations Manager and Markets Supervisor, we were informed that keys to the safe were kept about the person of the officer concerned and therefore removed from the premises when closed. However, allocation of safe keys to four officers contravenes the best practice guidance stated in the Council's Cash Handling Policy which stipulates that two officers should have a set of keys, one as a primary key holder with responsibility for the contents of the safe and one as a secondary key holder. Where one person at a time is not solely responsible for the safe contents, it would be impossible to say who would be accountable in the event of theft of income.

Whilst contravening the best practice guidance stated in the Cash Handling Policy, we understand that four officers have safe keys to accommodate flexible working practices in relation to cash collection at the Sunday Car Boot and Allenton Market.

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