

**To the Chair and Members of the Audit Committee**

**DONCASTER MARKETS FOLLOW UP REVIEW**

**EXECUTIVE SUMMARY**

1. Doncaster markets have over 400 shops and stalls and employ an estimated 1000 people (in both the public and private sectors) with traders travelling from across South Yorkshire to trade on the markets. In 2013/14 the Council's markets (including Doncaster, Rossington and Mexborough) reported a turnover of £1.82m and an overall surplus of £357k. As such, Doncaster's markets provide a significant income stream to the Council and contribute to the success and prosperity of Doncaster town centre.
2. This report summarises the findings of a follow-up audit of governance arrangements at Doncaster Markets and elements of Town Centre Management undertaken by Doncaster Council's Internal Audit Service. The service was previously reviewed in 2015 and brought to Audit Committee after a No Assurance report had been issued on the financial and governance arrangements in place.

**RECOMMENDATIONS**

3. The Audit Committee is asked to note the outcome of the Audit Review and progress made by the Markets and Town Centre Management Team.

**WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

4. Doncaster Markets are at the heart of the boroughs economy. We need to maintain a safe environment for both traders and visitors to the markets. Our response to the Audit Review means that an improved service will be provided to the citizens of Doncaster.

**BACKGROUND**

5. This report provides the Audit Committee with information on the outcomes from internal audit work at Doncaster Markets and Town Centre Management and allows the Committee to discharge its responsibility for monitoring the Councils exposure to risks.
6. The investigations were initially undertaken after concerns were raised by several market traders about working practices within the Markets Team in 2014/15. These concerns were about general administration, the allocation of pitches, procurement and health and safety. The service had recently transferred into Trading Services and Assets from a different area of the Council.

7. On receipt of these concerns, Senior Managers within Trading Services and Assets commenced their own review of the issues and the way the service was managed and commissioned a financial administration review of the service by Internal Audit and a Health and Safety review of working practices by the Corporate Health and Safety Team to assist them in their assessments.
8. A formal follow-up review by Internal Audit covering the financial and governance arrangements identified in the previous review has now taken place and is included in the attached report.

Progress made to date includes: -

- The implementation of cashless collection methods for allocated stall holders via the sundry debtors system. This has substantially reduced the overall level of cash handling in the Team to the handling of casual stall rents (approximately £300 - £400 per week). This represents a significant improvement in the control environment and a significant reduction in fraud and error risks. Debt levels / arrears levels have however increased as a result of the migration to the Sundry Debtors System from £8k to £58k. This is due to the better identification and recording of debt rather than a problem with debt collection. Work is required on the recovery arrangements in conjunction with the Accounts Receivable Team to ensure that this is brought under control.
- Checks are now undertaken on new traders to ensure that they are entitled to work in the UK, hold specific and relevant licenses and the required insurances. However, it was identified that in some instances, these are not being properly evidenced on the traders' individual files.
- Contract Procedure Rule compliance has been significantly improved since the February 2015 report. Off contract spend reduced from £163k in 14/15 to £121k in 15/16. Off contract spend however for quarters 2, 3 and 4 totalled just £67k compared with a quarter 1 spend of £54k.

Remaining Actions:

- Stall rent arrears and rent collection has been transferred on to the Council's Debtors (Accounts Receivable) system but further work is required to ensure that a comprehensive and robust recovery policy is in place and is enforced.
- A new markets management system to manage market tenancies is under procurement and is expected to be implemented in quarter 3 2016.

**OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION**

9. Not applicable

## IMPACT ON THE COUNCIL'S KEY PRIORITIES

	<b>Outcomes</b>	<b>Implications</b>
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Be a strong voice for our veterans</i></li> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	<p>Doncaster Markets are a significant employer for the borough employing an estimated 1000 people in the public and private sectors. Strengthening arrangements around such activities will contribute to successful and prosperous town centres.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	<p>None</p>
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	<p>None</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	<p>None</p>
	<p>Council services are modern and value for money.</p>	<p>Improvements in collection activities and debt management within the markets processes will improve value for money and deliver a better service for traders and customers.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.</p>

## **RISKS & ASSUMPTIONS**

13. Failure to address governance and operational weaknesses within Doncaster Markets and Town Centre Management exposes the Council to the following risks:-
- Potential reputational damage to the Council through either fraud or loss of income
  - Potential damage to relationships with market traders
  - Failing to achieve value for money for Doncaster residents
  - Failure to maximise town centre potential and business opportunities.

## **LEGAL IMPLICATIONS**

14. Failure to implement actions highlighted within the report potentially causes a detrimental impact upon the reputation and business affairs of the Council and third parties.

## **FINANCIAL IMPLICATIONS**

15. There are no direct financial implications arising from this report; however, the stall rent arrears of £58k represents a potential financial risk to the authority.

## **HUMAN RESOURCE IMPLICATIONS**

16. None

## **TECHNOLOGY IMPLICATIONS**

17. There are no identified technology implications arising from this report.

## **EQUALITY IMPLICATIONS**

18. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report.

## **CONSULTATION**

19. There has been consultation with managers at the outset, throughout and at the conclusion of this review in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

This report has significant implications in terms of the following:

Procurement	X	Crime & Disorder	
Human Resources		Human Rights & Equalities	
Buildings, Land and Occupiers		Environment & Sustainability	
ICT		Capital Programme	

## **BACKGROUND PAPERS**

20. Doncaster MBC, Internal Audit Report – Doncaster Markets Financial Administration Follow-Up Audit

## **REPORT AUTHOR & CONTRIBUTORS**

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### **Appendices**

**Appendix 1** - Doncaster MBC, Internal Audit Report – Doncaster Markets Financial Administration Follow-Up Audit

**Simon Wiles**  
**Director of Finance and Corporate Services**

# Internal Audit Report

## Doncaster Markets – Financial Administration Follow Up Audit

**Report ref:** DN-PL-15-RE-Dev-Mar

**Report issued:** 2<sup>nd</sup> June 2016

**Distribution:**

Peter Dale, Director of Regeneration and Environment  
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## Introduction

This report presents the results of a Follow-up Audit on the financial administration of Doncaster Markets undertaken in the final quarter of the financial year 2015/16. The original audit, undertaken at the request of management in the third quarter of 2014-15, covered a full review of financial administration arrangements for Doncaster Markets and was run alongside a health and safety audit of the same area. A report was subsequently issued in February 2015 making 27 recommendations and resulting in a “no assurance” audit opinion. This follow up audit forms part of the 2015/16 Internal Audit plan, approved by the Audit Committee and was included to ensure that the necessary improvements identified within the original audit report were made and are effective.

In 2015-2016 the Council’s markets (including Mexborough and Rossington markets) reported an overspend of £82k. Income of £1.44m relates almost entirely to market stall rents and was lower in 2015/16 than the 2014/15 figure of £1.54m largely due to a month’s rebate awarded to traders as an incentive to move from weekly cash payments to monthly direct debit payments (this totalled £69k). Expenditure of £1.524m in 2015/16 included £454k spent on staffing and £776k on premises costs and the procurement of supplies and services. More than 85% of turnover relates to the Doncaster Town Centre Markets. The Market in Doncaster is fully open on Tuesday, Friday and Saturday and there is a smaller second hand market operating each Wednesday.

The Markets Team is responsible for the smooth running of the Council’s markets including the management of market facilities, allocation of stalls, registration of new traders, administration of lease agreements, establishing accounts for permanent traders on the accounts receivable system, collecting rent from casual traders and other tasks relating to the general management of the market. In 2015 the markets team was restructured to include 15.5 FTE staff – although 5 of these posts were vacant at the time of the audit (quarter 4 2015/16). This has meant that some of the planned improvements to the financial administration of the team have yet to be implemented due to insufficient staffing capacity.

## Objectives and Scope of the Audit

The objectives of the audit were to:

- Review progress and any implemented improvement actions from the previous markets audit and gain evidence of their appropriate implementation.
- Advise on further actions should improvements implemented not meet expectations.
- Give further advice/support on improvements, whenever requested or identified during the audit work.



The scope of this audit remains unchanged from that of the original 2015 audit which focussed on the following risks facing the Markets team:

- Income due to the Authority is not received or is lost
- Inappropriate allocation of market stalls/tenancies
- Inappropriate payments to suppliers/poor value for money procurements
- Inappropriate pricing strategies
- Illegal or inappropriate use of market stalls
- Inappropriate licensing / monitoring of Street Cafés (Town Centre Team responsibility)

All our evaluations, assessments and opinions are based on the control processes identified at the time of the audit. Control processes mitigating and transferring risks were tested using information and data from the period between April 2015 and March 2016.

This report also includes findings relating to street café licences (also reported on in February 2015) and income from promotional sites which fall under the remit of the Town Centre Team rather than the Markets Team itself.

# Executive Summary

## Residual Risk Analysis

The results of this follow up audit compared to the audit reported in February 2015 are shown in the heat maps below.

February 2015 Audit

Likelihood	Very Likely					
	Likely			1		
	Possible	1	3	1		
	Unlikely					
	Very Unlikely					
		Slight	Moderate	Significant	Major	Critical
Impact						

2016 Audit

Likelihood	Very Likely					
	Likely					
	Possible			1		
	Unlikely		2	1	1	
	Very Unlikely			1		
		Slight	Moderate	Significant	Major	Critical
Impact						

The above heat maps, which are consistent with the Council's Risk Management Policy, show the level of residual risk exposure as at February 2015 and out opinion on the current risk exposure. Each of the risks assessed during the course of this audit has been plotted above with the numbers representing the number of risks in each category. This demonstrates a reduction in the overall level of risk, more detailed analysis of which is included in the Detailed Risk Analysis section of this report.

## Assurance Opinion

Internal audit reports give 4 general levels of opinion. These are based on the level of risk that we assess remains at the end of our assessment, before any actions have been implemented. These 4 opinion levels are: -

- Substantial assurance
- Partial assurance
- Limited assurance
- No assurance

Our opinion in 2015 giving no assurance that financial objectives are likely to be achieved or that fraud is likely to be prevented has now been revised to **Partial Assurance** and is reflective of the reduction in overall risk levels.

## Reasons for this opinion

In February 2015 we reported that the cash based system for collecting market stall rents was inefficient, requiring a significant amount of staff time to collect rents each day, cashing up at the market office and recording arrears on a spreadsheet. The inefficient arrangements for collecting rent in cash posed a major risk of fraud but none was identified during our review. This major risk was addressed by management in July 2015 when income collection arrangements were changed from weekly cash collection to debtor accounts being set up for traders on the Council's accounts receivable system. It should be noted that casual trader income is still collected in cash on the day. This is unavoidable given the one off nature of these transactions.

The amount of rent collected directly from traders in cash has reduced from around £25,600 a week during 2014/15 to current levels of between £300 and £400 a week. This significant reduction in cash handling has greatly reduced the risk of fraud and error. However, more could still be done to develop a procedure to reconcile income collected to income due. As reported in February 2015, in an effective system income due should be calculated by establishing the gross debit (number stalls multiplied by rent due), deducting voids (unoccupied stalls where no charge is due) to give the collectible debit. Actual income collected can then be compared to the collectible debit. Processes such as this are not currently in place for Doncaster Markets.

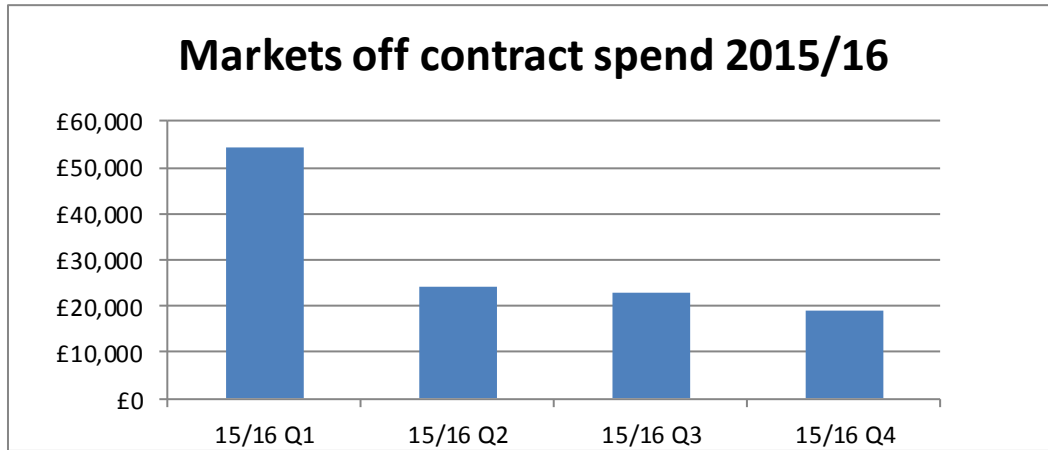
Some new risks relating to income loss have emerged following the change in income collection procedures combined with the departure of the business support assistant from the team in October 2015 and awaiting the filling of vacant posts in the Markets team. These are:

- Only one officer has been involved in cash handling and banking of the £300 to £400 weekly cash collections – with no independent check on cash collected and banked;
- Only one officer is involved in setting up and amending debtor accounts on the accounts receivable system, and issuing credit notes – and there are no independent or supervisory checks on these transactions;
- Stall rent arrears have increased from £8k reported in February 2015 to £58k in April 2016. This is due to the better identification and recording of debt rather than a problem with debt collection. Arrears recovery procedures and responsibilities within the Markets Team are still being developed.

In February 2015, we reported that the process for allocating stalls to new traders was not transparent: the allocations policy was not documented and there was no information available on the markets website to explain the process used to allocate stalls to potential traders.

At April 2016, all outstanding issues arising from the re-allocation of stalls, following the redevelopment of the outer market in 2014, have been addressed by management. The approach for allocating stalls on the outer market has recently reverted to the original policy of allocation on the basis of seniority subject to "clash of commodities". (This is an aesthetic consideration to ensure that the goods traded on adjacent stalls do not clash). The policy for allocating stalls on the indoor market continues to be on the basis of the highest tender price received subject to consideration of "clash of commodities". However, these policies – and related procedures – are not formally documented – or clearly communicated to potential traders via the website.

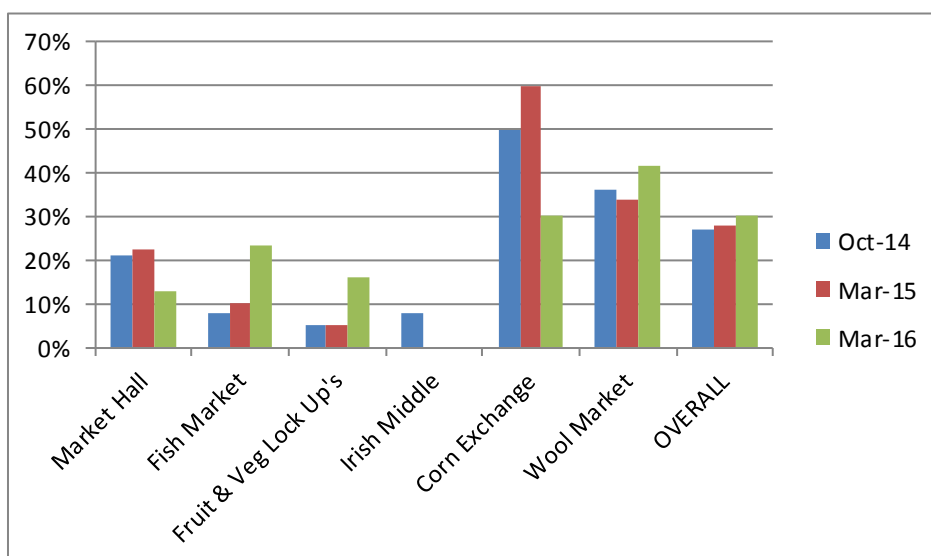
In February 2015, we reported that corporate procurement procedures had not been followed for significant proportions (29%) of Doncaster Market team spend on goods and services. Since then, the amount of off-contract spend has reduced from £163k in 2014/15 to £121k in 2015/16. This follows an exercise by Markets Managers in autumn 2015 to move some markets procurements to existing contracts and retender in some cases in line with corporate procurement procedures. The following chart demonstrates reduction in the amount of off contract spend during 2015/16 as the new arrangements took effect.



Audit review of markets spend for the period January to March 2016 found that spend was undertaken in accordance with corporate procurement procedures.

In February 2015, we reported that the pricing of stall rents was sufficient to achieve a surplus on markets operations. However, there hadn't been a rent review since 2008, service charges were not separated from rent and some parts of the market had significant level of vacancies (notably the Wool Market and Corn Exchange). As at April 2016, a rent review is underway and the findings will be fed into the Fees and Charges setting process for the 2017/18 budget. This piece of work will separately identify service charges and will also cover renewal of indoor market lease agreements which expired in 2015. As demonstrated in the following chart, although there has been a reduction in voids in the Corn Exchange, void levels have increased for the Wool Market, Fish Market and Fruit and Veg lock ups. The overall level of voids has increased slightly from 27% in October 2014 to 30% in March 2016.

#### Doncaster Markets voids between October 2014 and March 2016



In February 2015, we reported that the checks carried out on new traders varied between the outer market and the indoor market and that traders' files did not routinely include evidence of:

- identity checks;
- right to work in the UK (National Insurance Number check);
- whether the trader has public liability insurance;
- whether the trader holds specific licences relevant to the particular trade.

Since then, work has been done to populate traders' files with this evidence, but audit walkthrough of files for 2 new traders identified gaps in evidence relating to NINO checks and public liability insurance. Further work is required to ensure that comprehensive evidence is held and that obligations in this regard are actually being met.

In February 2015, we reported that Street Café (Al Fresco) licences were not properly administered – with no clear register of businesses requiring a licence or those requiring licence renewals. £10,056 of unbanked cheques were found, most of which were attached to unprocessed licence applications. Since the original audit, a register of businesses requiring a licence has been produced and a budget for street cafe licence income has been included in the 16/17 budget setting process (£3450 based on 30 licences at £115 renewal fee). This has subsequently been amended following discussions with the Mayor to charge £100 over 5 years for renewed licences.

Other control weaknesses still to be addressed include:

- Key policies relating to stall allocations, pricing and arrears recovery are still to be formally documented;
- Desktop procedures for the full range of tasks performed by the Markets Team are still to be formally documented including collection of rents from casual traders, letting stalls, trader registration checks, lease administration;
- Recovery of debt and administration of debtor accounts.

It is expected that further improvements will be made once the Markets Team is fully staffed (expected June 2016), a new markets administration system is implemented (expected September 2016) and the rent review/lease renewal process is completed (expected December 2016). As a result of the audit work completed, we have found that 10 out of 27 agreed actions arising from the February 2015 audit report are still to be implemented. These are detailed in Appendix B to this report. Additionally, 5 new recommendations have been made which are included in Appendix A.

## Detailed Risk Analysis

The risks identified within the scope of this audit, have been further analysed below to give further information on the findings of the audit and to cross reference any improvement points / recommendations that have been made. The risk ratings reflected here are consistent with those shown in the earlier heat map and the Doncaster Council Risk Management Framework.

Risk	Final Score Rating	Headline Reason for Rating	Related Issues
<p>Income due to the Authority is not received or is lost</p>	<p><b>Significant</b> <i>(reduced from Major in February 2015)</i></p> <p><b>Impact:</b> Major</p> <p><b>Likelihood:</b> Unlikely <i>(reduced from Possible in February 2015)</i></p>	<p>The manual and largely cash based system for collecting daily/weekly stall rents was replaced in July 2015 by use of the corporate accounts receivable system. The new system has significantly reduced the risk of fraud and error.</p> <p>However, there is no procedure in place to reconcile income collected to income due; therefore Market managers cannot demonstrate that income has been fully received and accounted for. An explanation of how the income due (collectible debit) should be calculated is shown on page 6)</p> <p>Data matching undertaken by audit for the month of January 2016 found that debtor accounts had been properly raised on the accounts receivable system for all traders recorded on the Trader's Database spreadsheet. This does provide some assurance of the completeness of income records although it should be noted that reliance was placed on the robustness of the information on the Trader's Database (which wasn't tested further by audit).</p>	<p><b>ISS.2</b> Only one officer involved in cash collection and banking</p> <p><b>ISS.3</b> Arrears Recovery</p> <p><b>ISS.4</b> Debtor account records</p> <p><b>ISS.1 (outstanding from February 2015 audit report)</b> No up to date documented policies and procedures.</p> <p><b>ISS.5 (outstanding from February 2015 audit report)</b> No reconciliation of income collected to income due.</p> <p><b>ISS.20 (outstanding from February 2015 audit report)</b> Lack of control over pavement café licences and related income.</p>
<p>Inappropriate allocation of market stalls/tenancies</p>	<p><b>Significant</b> <i>(reduced from Major in February 2015)</i></p> <p><b>Impact:</b> Significant</p> <p><b>Likelihood:</b> Unlikely <i>(reduced from Likely in February 2015)</i></p>	<p>At April 2016, all outstanding issues arising from the re-allocation of stalls following the redevelopment of the outer market in 2014, have been addressed by management (these are detailed in Appendix B). The approach for allocating stalls on the outer market has recently reverted to the original policy of allocation on the basis of seniority subject to "clash of commodities". The policy for allocating stalls on the indoor market continues to be on the basis of the highest tender price received subject to consideration of "clash of commodities". However, these policies – and related procedures – are not formally documented – or clearly communicated to potential traders via the website.</p>	<p><b>ISS.1 (outstanding from February 2015 audit report)</b> No up to date documented policies and procedures.</p> <p><b>ISS.2 (outstanding from February 2015 audit report)</b> Limited information on markets website for potential traders.</p> <p><b>ISS.14 (outstanding from February 2015 audit report)</b> Stall allocation policy, procedures and decisions not fully documented.</p>

Risk	Final Score Rating	Headline Reason for Rating	Related Issues
<p>Inappropriate payments to suppliers/poor value for money</p>	<p><b>Moderate</b> (reduced from Significant in February 2015) <b>Impact:</b> Significant</p> <p><b>Likelihood:</b> Very Unlikely (reduced from Possible in February 2015)</p>	<p>In February 2015 we reported that corporate procurement procedures had not been followed for a significant proportion of Doncaster Market team spend on goods and services. Since then, the amount of off-contract spend has reduced following an exercise by Markets Managers in Autumn 2015 to move some markets procurements to existing contracts and retender in some cases corporate procurement procedures.</p> <p>Audit review of markets spend for the period January and March 2016 found that payments were in accordance with corporate procurement procedures.</p>	
<p>Inappropriate pricing strategies leading to failure to maximise income</p>	<p><b>Moderate</b> (reduced from Significant in February 2015) <b>Impact:</b> Moderate</p> <p><b>Likelihood:</b> Unlikely (reduced from Possible in February 2015)</p>	<p>In February 2015 we reported that the pricing of stall rents was sufficient to achieve a surplus on markets operations. However, there hadn't been a rent review since 2008, service charges were not separated from rent and some parts of the market had a significant level of vacancies (notably the Wool Market, Corn Exchange and Outer market).</p> <p>As at April 2016 a rent review is underway and the findings will be fed into the Fees and Charges setting process for the 2017/18 budget. This piece of work will separately identify service charges and will also cover renewal of indoor market lease agreements which expired in 2015. The surplus on market operations has reduced from £263k in 2014/15 to an overspend of £82k in 2015/16.</p> <p>Although void levels have decreased for the Corn Exchange, there has been an increase in voids for the Wool Market, Fish Market and Fruit and Veg lock ups. The overall level of voids has increased slightly from 27% in October 2014 to 30% in March 2016. However it should be noted that due to the large size of the market compared to many other towns of this size it is unlikely that full occupancy would be achieved. Benchmarking by market managers has found that stall rents are in line with other authorities.</p>	<p><b>ISS.17 (outstanding from February 2015 audit report)</b> No full rent review since 2008.(now in progress)</p>

Risk	Final Score Rating	Headline Reason for Rating	Related Issues
Illegal or inappropriate use of market stalls	<p><b>Significant</b></p> <p><b>Impact:</b> Significant</p> <p><b>Likelihood:</b> Possible</p>	<p>In February 2015 we reported that robust checks were not undertaken on all new traders covering:</p> <ul style="list-style-type: none"> <li>• identity checks</li> <li>• right to work in the UK</li> <li>• whether the trader has public liability insurance</li> <li>• whether the trader holds specific licences relevant to the particular trade.</li> </ul> <p>Since then, work has been done to populate traders' files with this evidence, but audit walkthrough of files for two new traders identified gaps in evidence relating to NINO checks and public liability insurance. Further work is required to ensure that comprehensive evidence is held.</p>	<p><b>ISS.1</b> Evidence of New Trader Registration checks</p>
Inappropriate licencing / monitoring of Street Cafés	<p><b>Moderate</b> <i>(reduced from Significant in February 2015)</i></p> <p><b>Impact:</b> Moderate <i>(changed from Significant in February 2015)</i></p> <p><b>Likelihood:</b> Unlikely <i>(reduced from Possible in February 2015)</i></p>	<p>In February 2015 we reported that Street Café (Al Fresco) licences were not properly administered – with no clear register of businesses requiring a licence or those requiring licence renewals. £10,056 unbanked cheques were found, most of which were attached to unprocessed licence applications.</p> <p>Since the original audit, a register of businesses requiring a licence has been produced and a budget for street cafe licence income has been included in the 16/17 budget setting process (£3450 based on 30 licences at £115 renewal fee). This has subsequently been amended following discussions with the Mayor to charge £100 over 5 years for renewed licences.</p>	<p><b>ISS.20 (outstanding from February 2015 audit report)</b> Lack of control over pavement café licences and related income.</p>

## Acknowledgement

Thanks are due to your staff, particularly Richard Gibbons and his team, for taking time out of their busy schedules to provide us with information and answer our questions.



**Procedures Related**

**Issue Identified**

***ISS.1 – Evidence of New Trader Registration checks***

Following the February 2015 audit report, checks on traders' right to work in the UK, public liability insurances and other licenses were introduced by management and documentation was included in a new electronic file created for each market trader.

Audit walkthrough of two new traders (ref 618 and 619) found that the electronic file was incomplete in both cases:

- No evidence for either trader 618 or 619 to confirm that proof of right to work in the UK (NINO) had been checked
- No public liability insurance evidence held for trader 619
- No evidence of address check for trader 618
- No evidence of trader 619's acceptance of the terms and conditions relating to the use of market stalls.

Officers explained that at the time of the audit, the necessary checks on new traders were being carried out but evidence was not necessarily being scanned for the electronic file. However, assurances were given that all evidence is now being scanned for inclusion in the traders' electronic files. This is important in the event of an incident and in evidencing our involvement as a Council with it.

**Anticipated Exposure:** -

A lack of robust checks to confirm identity, right to work in the UK, insurance and that traders hold relevant licences mean that illegal or uninsured trading may not be identified.

Failure to enforce the law requiring market traders to hold relevant public liability insurance.

Health and safety issues that are the responsibility of market traders may have a reputational impact on the Council

**Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
Evidence of trader registration checks	Significant	<p>Once a market management solution is procured, this information will be transferred to the system (where appropriate) and monitored from the system to enable performance monitoring.</p> <p>In the interim, management to carry out and evidence spot checks of trader files to confirm that the required information is being held.</p>	<p>Markets Compliance Manager</p> <p><b><u>Estimated Date of Completion:</u></b></p> <p>3 June 2016</p>

**Cash handling and banking**

**Issue Identified**

***ISS.2 – Only one person involved in weekly banking of cash collected***

Corporate guidance on cash handling in the Finance Manual requires that “Cash receptacles are emptied and have cash counted and evidenced **by two persons** unless the Director of Finance and Corporate Services approves otherwise (paragraph 10.5.4)”.

Since the departure of the Business Support Assistant from the markets team in October 2015 there has been no independent checking of the cash handling and banking processes. The Senior Markets Officer has been responsible for cashing up and then banking the income (between £300 to £400 a week) with no involvement by other officers.

Anticipated Exposure: - Risk of fraud or error

**Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
Two officers involved in cash handling	Significant	<p>Agreed as an interim measure that two officers will both be involved in cashing up/banking process and that the bank paying in slip will be signed by both parties.</p> <p>It is expected that before the end of the year the stall letting process will be completely cash free - with all casual traders paying on site using a chip and pin machine and permanent traders being invoiced through the accounts receivable.</p>	<p>Markets Compliance Manager</p> <p><b><u>Estimated Date of Completion:</u></b></p> <p>Implemented 30 April 2016</p>

**Arrears recovery**

**Issue Identified**

***ISS.3 – Arrears Recovery***

In 2015 the Markets Team started using the corporate accounts receivable system to administer the collection of market stall rents, which replaced the previous spreadsheet based system. Arrears recovery arrangements are still being developed and the team do not yet have effective procedures in place to actively monitor and manage uncollected debt. Progress in developing arrears recovery procedures has been hampered by the fact that the Markets Team is not yet fully staffed. At the time of the audit the service was owed £58k in unpaid rent which is an increase in the level of arrears when compared to the position at the time of the previous audit (£8k). However it appears that this is due to the better identification and recording of debt rather than a problem with debt collection.

Anticipated Exposure: - There could be potential loss of income to the Authority. Income owed to the Authority is not received on a timely basis.

**Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
Clarify responsibilities and process for arrears recovery	Significant	Markets Compliance Manager to meet with Accounts Receivable Team to clarify the respective responsibilities and process for arrears recovery.	Markets Compliance Manager  <b><u>Estimated Date of Completion:</u></b>  31 July 2016
Work with Accounts Receivable Team to reduce overall debt levels	Significant	Markets Team to work with Accounts Receivable Team to reduce overall debt levels and, where necessary, take appropriate action against the stall holders	Markets Compliance Manager  <b><u>Estimated Date of Completion:</u></b>  31 July 2016

## Debtor account processing

### Issue Identified

#### *ISS.4 – Debtor account records*

Since October 2015, due to unfilled vacancies on the Markets Team, there has only been one officer available on the Markets Team to process debtor accounts -including setting up new accounts, processing amendments such as when traders move to a different stall, closing accounts when traders leave the market and issuing credit notes where traders leave mid-month or where incentives are given. The lack of independent checks on debtor accounts processed means there is a risk of fraud or error going undetected. A manual log book is used to support calculations entered onto the accounts receivable system relating to amendments. This means that in some cases the amount of debt recorded on the debtor invoice is not transparent. In some cases the Markets Team has received requests from market traders for clarification of the debt raised.

Anticipated Exposure: - Risk of fraud or error

### Agreed Management Actions

<u>Action Title</u>	<u>Risk Exposure</u>	<u>Agreed Management Action</u>	<u>Responsible Officer:</u>
<i>Independent checks on debtor accounts raised</i>	<i>Significant</i>	<p><i>(Recommendation) Markets managers should introduce appropriate independent checks to ensure that debtor accounts are accurately raised, amended if necessary and that any credit notes issued are valid. This could involve:</i></p> <ul style="list-style-type: none"> <li><i>• retrospective review of system exception reports (eg report showing all credit notes issued over the previous month);</i></li> <li><i>• regular independent spot checks of a sample of amended accounts, newly set up accounts.</i></li> </ul>	<p><i>Markets Compliance Manager</i></p> <p><b><u>Estimated Date of Completion:</u></b></p> <p><i>31 July 2016</i></p>
<i>Transparent debtor invoices</i>	<i>Significant</i>	<p><i>Calculation of debtor invoices/amendments should be fully recorded on the accounts receivable system and where appropriate detailed on the invoice for transparency so that traders can understand how the debt has been determined.</i></p>	<p><i>Markets Compliance Manager</i></p> <p><b><u>Estimated Date of Completion:</u></b></p> <p><i>31 July 2016</i></p>

**Procedures Related**

**Issue Identified**

***ISS.1 - no up to date documented policies and procedures***

Reported in February 2015: There are no up to date documented procedures for the full range of tasks performed by markets officers including:

- the consideration of tenders received for indoor market units;
- the administration of leases for indoor market units;
- rent collection and arrears/recovery arrangements;
- updating the markets management system and other spreadsheet systems used by the team.

Some key policies are not documented - eg arrears and debt recovery policy, stall allocation policy, pricing policies (including policy of charging stall rent at half price where trader has more than 3 stalls on the market).

Policies and procedures are known by markets staff, but if staff are not available for work then the lack of documented financial administration policies and procedures could impact on the efficiency of financial administration in the team.

Update April 2016: Desktop procedures are not yet documented due to staff prioritising other work and the markets team not being fully staffed yet. Key policies have not yet been documented either.

Anticipated Exposure: -

Risk of delays in financial administration tasks and increased risk of errors or practices that are not in accordance with policy.

**Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
<i>Markets policies and procedures should be documented</i>	<i>Significant</i>	<i>Agreed that policies and procedures will be formally documented.</i>	<i>Markets Compliance Manager</i>  <b><u>Estimated Date of Completion:</u></b> <i>30 November 2016</i>

## Marketing Related

### Issue Identified

#### **ISS.2 - limited information on markets website for potential traders**

Reported in February 2015: There is little guidance for potential market traders on the markets webpage when compared to best practice authorities. Potential traders are advised to contact the markets team in Doncaster. Other authorities publicise on their websites:

- stall allocation policies
- details of markets rules and regulations
- explanation of trader responsibilities (such as yearly accounts, VAT registration threshold, legislation such as Trades Descriptions Act and Food Hygiene legislation.
- guidance for commercial tenants (repairs, lease assignment, sub-letting, health and safety)

Update April 2016: There has been little change to the guidance for potential market traders on the markets webpage.

Anticipated Exposure: -

Lack of transparency for markets policies and operations.

### **Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b> <i>Markets Compliance Manager</i>
<i>Publicise guidance for potential traders on Doncaster Market website</i>	<i>Significant</i>	<i>As part of Digital Council Programme, an online booking system for casual traders is currently being developed.</i>  <i>Guidance for potential market traders on the website to be developed further.</i>	<b><u>Estimated Date of Completion:</u></b> <i>30 September 2016</i>

## Income related

### Issue Identified

#### **ISS.5 - No reconciliation of income collected to income due**

Reported in February 2015: The cash collection system in place does not allow for effective monitoring of income received. There is no daily or weekly reconciliation of actual income collected to expected income due. There is a process in place to reconcile banking records to receipts issued, however there is no process in place to reconcile receipts issued to amounts due to be collected. Cash takings (including stall rent, arrears collected and one-off tenders for indoor units) are recorded by market by week on the "market income" spreadsheet, although this does not give an accurate picture of income due. The amount due to be collected will be influenced by several factors including the number of vacant stalls on a particular day and whether traders are benefiting from renting some stalls at half price. Receipts also include amounts relating to repayment of arrears and one-off tenders and other items which need to be taken into account when performing a reconciliation of income collected to income due. The current manual system does not allow this information to be easily extracted.

Update April 2016: All indoor traders and permanent outdoor traders have been invoiced monthly since July 2015 via the Council's accounts receivable system. There has been a significant reduction in the amount of rent collected in cash – from £25,600 a week during 2014/15 to between £300 and £400 a week in April 2016. Cash collections by the markets team are still used for casual traders and for any "extra" stalls that permanent traders may pay for on an ad hoc basis. It is expected that cash collections will reduce still further once a backlog of applications for "extra" stalls are processed and a chip and pin machine is introduced at the market to take payment from casual traders. There is no procedure in place to reconcile income collected to income due; therefore Market managers cannot demonstrate that income has been fully received and accounted for. Data matching undertaken by audit for the month of January 2016 found that debtor accounts had been properly raised on the accounts receivable system for all traders recorded on the Trader's Database spreadsheet. This does provide some assurance of the completeness of income records although it should be noted that reliance was placed on the robustness of the information on the Trader's Database (which wasn't tested further by audit).

Anticipated Exposure: -

Income due may not be fully collected or properly accounted for.

### **Related Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
Reconciliation of actual income to expected income	Significant	<i>It is expected that implementation of the new markets system MACCS will facilitate such a reconciliation. In the meantime agreed to work with finance team to develop a workable method to reconcile actual to expected income to ensure that all income is properly accounted for.</i>	Markets Compliance Manager  <b><u>Estimated Date of Completion:</u></b>  31 December 2016

**Procedures Related**

**Issue Identified**

***ISS.14 – Stall allocation policy, procedures and decisions are not fully documented***

Reported in February 2015:

**Indoor market tenanted units**

There is no documented policy or procedure for the allocation of indoor market tenanted units. In practice the allocation of these stalls is made on the basis of the highest tender price received and subject to consideration of potential "clash of commodities" with neighbouring stalls. **Outdoor market stalls** Prior to 2014-15 the allocation of outdoor market stalls to traders was based on seniority (the length of time the applicant had been trading on the market) subject to any clash of commodities. This policy was not formally documented. The following weaknesses in the allocation process were noted:

- There is no formal appeals process;
- There is an unenforceable "intention to stand" clause. This is essentially where a market trader states on their application that they intend to stand on all three main market days. This awards them higher points in the allocation scoring scheme. However, there is no monitoring or enforcement of the number of days actually "stood";
- There is a lack of clarity in the application of the "seniority" criterion (where points are awarded for the number of years continuous trading) where stall has changed hands/ownership;
- There is no clear "sign off" at senior level of the results of the allocation process.

Compared to permanent traders on the outdoor market, there are relatively few casual traders, currently between 8 and 10 on main market days (Tuesday, Friday and Saturday) and around 25 for the Second Hand market on a Wednesday. Allocation of casual stalls is performed each market day by the Senior Markets Officer on the basis of seniority. There is no formal review of these allocations or documentation of the decision making process.

**Update April 2016: Indoor market tenanted units** There has been no change to the policy of allocating stalls on the basis of the highest tender price received and subject to consideration of potential "clash of commodities" with neighbouring stalls. However, this policy and related procedure is not fully documented. Walkthrough of two new traders in the indoor market found that the decision to allocate stalls to these traders had not been formally documented.

**Outdoor market stalls** All outstanding issues arising from the re-allocation of stalls following the redevelopment of the outer market in 2014 have been addressed by management. The approach for allocating stalls on the outer market has recently reverted to the original policy of allocation on the basis of seniority subject to "clash of commodities". However, this policy – and related procedures – are not formally documented – or clearly communicated to potential traders via the website. No allocations have been made since the outer market redevelopment although some applications have recently been received and are due to be processed imminently.

Anticipated Exposure: -

Lack of documented policy and procedures increases risk of inappropriate stall allocations.

Insufficient documentation of allocation decisions and complaints about the transparency of the allocation process could affect the morale of traders, markets staff and hence the success of the market.

Decisions may be subject to legal challenge.

**Agreed Management Actions**

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b>
<i>Document stall allocation policy, procedures and decisions</i>	<i>Significant</i>	<i>Agreed to document stall allocation policy, procedures and decisions</i>	<i>Markets Compliance Manager</i>
			<b><u>Estimated Date of Completion:</u></b> <i>30 November 2016</i>



## Pricing Related

### Issue Identified

#### **ISS.17 - No full rent review since 2008**

Reported in February 2015: Stall rents are based on a rent review exercise undertaken in 2008 and have been updated annually for inflation since then. In 2014-15 indoor stall rents range from £28 to £327 per week and differ according to square footage and customer footfall which was gauged at the 2008 rent review. The majority of outdoor stall rents are charged at the standard daily rates listed on the website (which differ according to stall size and market day), however there are some outliers - with rents ranging from £5 a day to £32 per day. Traders with more than three stalls currently enjoy half price rents for additional stalls, although this policy was not found to be documented anywhere. Charges for market stall rent are not transparent because they are inclusive of service charges. However, it was also noted that charges for electricity (amounting to £26k per year) are collected from traders separately on a quarterly basis and in cash which creates an additional administrative burden.

Stall vacancy percentages are recorded on the markets income spreadsheet, although at the time of audit it was not clear that percentages for individual markets were correct (some were calculated as having more than 100% occupancy). However, audit estimates show that vacancies in November 2014 range from nil for the Fish Market to 50% for the Corn exchange to 63% for the Saturday outer market.

Update April 2016: No changes noted to the basis for setting stall rents other than annual increase for inflation. A rent review is underway and the findings will be fed into the Fees and Charges setting process for the 2017/18 budget. This piece of work will separately identify service charges and will also cover renewal of indoor market lease agreements which expired in 2015. Although void levels have decreased for the Corn Exchange, there has been an increase in voids for the Wool Market, Fish Market and Fruit and Veg lock ups. No electricity charges have been collected from traders since the original audit awaiting conclusion of the rent review. The overall level of voids has increased slightly from 27% in October 2014 to 30% in March 2016.

Anticipated Exposure: - Market stall rent may not be set at the right level to reflect current demand and doesn't take account of the effect of the 2014 outer market redevelopment.

### Related Agreed Management Actions

<b><u>Action Title</u></b>	<b><u>Risk Exposure</u></b>	<b><u>Agreed Management Action</u></b>	<b><u>Responsible Officer:</u></b> <b><u>Estimated Date of Completion:</u></b>
Consider undertaking a full rent review	Moderate	Rent review underway and expected to be complete in time to feed into the fees and charges setting process for 2017/18 in September 2016.	Markets Compliance Manager 30 September 2016
Documentation of pricing strategy - including use of half price charges	Significant	Documentation of pricing strategy will follow from the rent review	Markets Compliance Manager 30 September 2016
Alternative arrangements for collection of charges for electricity	Moderate	Electricity charges are being considered as part of the rent review – and it is expected that these will form part of service charges to be charged separately from market stall rent	Markets Compliance Manager 30 September 2016
More robust monitoring of the level of market stall vacancies	Significant	Weekly monitoring of vacancies to be undertaken	Markets Compliance Manager 30 September 2016

## Pavement Café Licences

### Issue Identified

#### **ISS.20 - Lack of control over pavement cafe licences**

Reported in February 2015: The Council is responsible for issuing licences for Street Cafés and this has been traditionally administered by the Town Centre Manager rather than the Council's Licensing Team. On review it was found that there was no comprehensive record of applications received or licences issued for Street Cafés. It was therefore not possible to confirm the amount of income due in respect of these licences. A number of unbanked cheques were found (£10,056) together with letters from businesses querying delays in the issue of pavement licences. Responsibility for the administration of Street Cafe licences and related collection of fees was not clearly documented or transparent and documentation relating to the licences was held in multiple locations on the Council's S drive and manual files. The follow-up of expired licenses does not appear to have been undertaken. Due to the poor quality of records it has not been possible to identify the amount of income due or the amount of income received and banked in respect of Street Cafe licences. It has also not been possible to identify which cafés currently hold street café licences.

Update April 2016: Since the original audit, a register of businesses requiring a licence has been produced and a budget for street cafe licence income has been included in the 16/17 budget setting process (£3450 based on 30 licences at £115 renewal fee). This has subsequently been amended following discussions with the Mayor to charge £100 over 5 years for renewed licences.

Anticipated Exposure: -  
Potential loss of income, Potential for unlicensed activity.

### Related Agreed Management Actions

<u>Action Title</u>	<u>Risk Exposure</u>	<u>Agreed Management Action</u>	<u>Responsible Officer:</u>
Full review of all Street Cafe licences to ensure completeness of records and income	Significant	Review has now been completed	Town Centre Manager  <u>Estimated Date of Completion:</u>  Fully implemented

## Markets System

### Issue Identified

#### **ISS.23 - New Markets System**

Position at February 2015: Following the audit it was agreed that management would seek to implement a new markets system to replace the largely manual and spreadsheet based processes in place.

Update April 2016: Implementation of the MACS markets management system has been put on hold awaiting the conclusion of a business process re-engineering exercise which has been ongoing for the past 12 months under the Digital Programme. Markets Managers have agreed requirements with MACS and it has been confirmed to be compatible with the Council's other IT systems. The expected implementation date is now September 2016.

Anticipated Exposure: -  
Inefficient administration arrangements

### Related Agreed Management Actions

<u>Action Title</u>	<u>Risk Exposure</u>	<u>Agreed Management Action</u>	<u>Responsible Officer:</u>
Implement new markets system	Significant	A more realistic implementation date for the MACS markets management system is 31 March 2017	Markets Compliance Manager  <u>Estimated Date of Completion:</u>  31 March 2017