






<b>Audit Title:</b>	<b>Internal Audit of Belfast Waterfront &amp; Ulster Hall (BWUH) Ltd</b>	<b>Audit Opinion:</b>	 <p><b>Some Improvement Needed</b></p>	<p>A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p>
	<p>Belfast Waterfront &amp; Ulster Hall Limited (BWUH Ltd) was formed in April 2016 as a company wholly owned by Belfast City Council (BCC). Its purpose is to manage the Belfast Waterfront and Ulster Hall venues on behalf of the Council in accordance with the provisions detailed in Leases, and a Contract (including a services specification).</p>			
	<p>Per the company's business plan, projections for income and expenditure of the company have been set out for the first five years of operation. The key target in relation to finance is to reduce the Council's contribution (via the management fee) towards the operation of the venues from £3.175m in 16/17 to £1.575m in 20/21 by a combination of rigorous cost control and growing sales revenue.</p> <p>Financial performance in 2016/17 has been better than anticipated, and at the date of audit fieldwork, the company was forecasting a small year-end profit (subject to preparation and external audit of accounts). Financial performance is monitored by the Senior Management Team via a monthly financial report which includes a Profit &amp; Loss, Balance Sheet, Scorecard, Event Contribution Analysis and Cost Centre Analysis. Regular reports are also presented to the Board of Directors and the Shareholders Committee and meetings / briefings are held regularly with BCC officers.</p>			
	<p>The company's Senior Management Team (SMT) is comprised of the Managing Director, a Sales &amp; Marketing Director, an Operations Director and a Business Support Director. BWUH's operational staff comprises 60.8 full time equivalent staff</p> <p>In Belfast City Council, the Senior Responsible Officer for BWUH is Donal Durkan, Director of Development. The SRO reports to the Council's Corporate Management Team (CMT) and to the Shareholder's Committee.</p>			
	<p>BWUH's Board is comprised of a chairperson and 4 other non-executive directors. The Board's key role is to oversee successful delivery of the strategic and commercial objectives of BWUH Ltd. BCC's Chief Executive and Deputy Chief Executive / Director of Finance &amp; Resources serve as non-voting observers at board meetings.</p> <p>BWUH and its Board are independent of BCC and have been granted sufficient autonomy to ensure that it is capable of succeeding in a</p>			

highly competitive marketplace. The relationship between the company and its sole shareholder (BCC) is set out in a Shareholders Agreement. Per the Agreement, performance of the company is reported to and reviewed by the Shareholders Committee of Belfast City Council. Also within the Shareholders Agreement is a list of 'Reserved Matters' which are decisions that can only be made by BCC, not by the company itself. The Shareholders Committee is responsible for approving the Company's business plan.

A Business Plan (covering April 2016 to March 2021) was agreed by the Shareholders Committee in June 2016. Individual plans covering each year of the main plan will be presented to and agreed with the Shareholders Committee. The 17/18 plan was agreed by the Board in December 2016 and the Shareholders Committee in January 2017.

In addition to the Shareholders Agreement, the company's Articles of Association have been approved and adopted. A range of financial and governance policies and processes are in place in the company.

#### Basis of Audit Opinion:

Our audit opinion is 'some improvement needed' and this section of the report provides, at a summary level, information to support this opinion.

#### Context

BWUH is a company in its first year of operation. A new company means a new team, implementing a new culture and new ways of working. Given that many of the staff in BWUH have transferred from BCC, together with the pressures of achieving targets in year one, we acknowledge that it will take time to document, communicate and embed new practices. Therefore, we approached this piece of work expecting that not every process would yet be documented and embedded, but rather looking to identify and bring attention to those areas where improvements can or need to be made. In particular, the company has been reliant on manual systems and Microsoft Excel for much of 16/17 as the Venue Events Management System (VEMS) system was not implemented until October / November 2016. Management are aware of many of the improvement areas, but operational priorities have meant that these have not yet been actioned. At the time of our review we found that much of the company's resources and efforts were being directed to delivering a new and improved service to customers and clients, as well as dealing with a higher than expected number of bookings and system related issues arising from implementation of VEMS. Consequently, our review found that a number of the controls that we would normally have expected to be in place had not been fully developed, including the development and communication to staff of documented end to end processes which would clarify roles and responsibilities. Once these controls and process documents are finalised and implemented this will enhance the overall effectiveness of the control environment.

BWUH Ltd has taken over operation of the Waterfront and Ulster Halls at a time when the business of the halls is being expanded into the highly competitive conference market. As one of the first, and largest, conference and exhibition spaces in Northern Ireland, it will take time to establish Belfast as a destination for conference delegates. Therefore, BWUH is and will remain reliant to an extent on forging and maintaining close working relationships

with Tourism NI, Visit Belfast and Belfast City Council to promote Belfast as a major conference destination and to attract clients away from the normal UK conference hubs of London, Birmingham and Manchester. In addition, the outcome of the Brexit negotiations has the potential to have a significant impact on the ability of the company to attract and maintain a European client base in future years.

In that context, BWUH has had a positive first year of operation. The company's key targets in relation to financial performance, numbers and types of events and delegates have been met and exceeded. While this is encouraging, it should be noted that future targets are more stretching. The company has stated that these targets will be achieved not only through increased sales, but also through rigorous cost control. The recommendations summarised below are aimed at helping management to achieve these goals.

### **Finance**

A common thread running through our findings on the audit was that financial processes and procedures are not yet fully documented, resulting in a lack of clarity around roles and responsibilities. This lack of clarity, for example over responsibility for chasing signed contracts or ensuring all service orders are raised and closed in VEMS, has the potential to result in financial loss to the company if expected procedures are not followed. In other areas, we noted that while policies have been documented and communicated, processes to ensure compliance with the established policies have either not yet been embedded, or are informal and not evidenced. For example, while staff and management were able to advise us of the checks they perform on payroll, these are not always evidenced, which diminishes the assurance that we can provide that checks have been carried out. Another example is that there are currently no proactive checks in place to ensure compliance with the established procurement policy. Our testing highlighted examples where purchase orders were not raised and approved ahead of buying goods or services and where the required numbers of quotes were not retained on file to give an assurance that agreed processes had been applied.

The company has been reliant to a large extent in 16/17 on manual financial management processes and Excel spreadsheets for the production of financial and performance information. Use of these manual processes and forms, which are subsequently transposed onto Excel spreadsheets, increases the risk of error. Microsoft Excel, while useful, carries with it inherent risks e.g. transposition errors, accidental or deliberate manipulation or loss of data. This risk has arisen because BWUH had no financial system, nor Time & Attendance system for the first six months of the year. During this period, management were reliant on Excel spreadsheets for recording transactions, calculating accruals etc. Detailed testing of transactions / accruals will form part of the year end external audit of the truth and fairness of the company's accounts. While VEMS and a new Time & Attendance system have been purchased and implemented, management and staff are still reliant on Excel to analyse and report on financial and performance information because the reporting functionality of these systems is still being explored with the relevant suppliers and rolled out. Management expect the roll out of a new reporting tool in 17/18 which will reduce reliance on manual input to Excel.

The scope of our audit covered controls in relation to income, expenditure, cash / banking and financial reporting / budgetary control. In each of these areas we noted that there are some improvements required, which are summarised in greater detail in part 1 of this report.

**Performance**

Managing performance will be a key challenge for the company going forward. We noted evidence that the company has embedded a number of performance measures at a corporate level, and that these are regularly being reviewed by SMT and reported to the Board and Shareholders Committee. We have made recommendations around distilling these corporate performance measures into departmental, team and individual performance measures, as well as highlighting the need to ensure that all of the performance indicators outlined in the business plan are being measured.

**Risk**

Risk registers have been implemented in the company. These are maintained at a corporate (priority) level, but also at a departmental level. We noted however that the company has not yet documented a risk management strategy / process nor defined its risk appetite in relation to its key areas of activity. In addition, we have recommended some improvements to the risk registers.

**IT Continuity / Resilience**

The IT infrastructure at the Belfast Waterfront Conference and Exhibition Centre has been designed to provide resilience and continuity in the event of a disaster. Evidence of strong physical and environmental controls are in place to protect the core network IT assets and infrastructure. The network design and support arrangements evaluated are adequate and key risks have been identified and are being managed. A number of control improvements were identified during the internal audit.

<b>Recommendations</b>		
High	3	<p>The key recommendations raised in the report are in relation to the following areas:</p> <p><b>High Priority:</b></p> <ul style="list-style-type: none"> <li>Strengthening encryption of payroll data transmitted to / from CJS</li> <li>Ensuring accuracy over the payroll Masterfile</li> <li>Ensuring accuracy over monthly processing of payroll via documented checks and approvals</li> </ul>
Medium	15	<p><b>Medium Priority</b></p> <ul style="list-style-type: none"> <li>Documentation of end to end processes and procedures outlining key roles &amp; responsibilities</li> <li>Reduction in reliance on manual systems and Microsoft Excel spreadsheets</li> <li>Review of VEMS access privileges</li> <li>Embedding of a standard contract template, which should be generated from VEMS rather than manual completion as</li> </ul>

Low	2	<p>well as clarification of responsibilities for chasing unsigned contracts</p> <ul style="list-style-type: none"> <li>• Validation / reconciliation of catering invoices to ensure all work has been done, billed to the client and commission has been claimed / paid</li> <li>• Clarification of roles and responsibilities around creation and closure of service orders</li> <li>• Establishment of guidelines for performing credit checks on clients</li> <li>• Ensuring POs are raised for all purchases and quotations are sought and retained in line with the procurement policy</li> <li>• Amendment of the Anti-Bribery &amp; Corruption policy to cover the provisions of the Fraud Act 2006 and requiring declaration of all gifts and hospitality on the Gifts &amp; Hospitality register</li> <li>• Ensuring that all Performance Indicators listed in the company Business Plan are subject to monitoring</li> <li>• Distilling corporate Performance Indicators into team and individuals PIs</li> <li>• Use of customer satisfaction surveys to report on the performance indicator(s) relating to customer delight</li> <li>• Documentation of a risk management strategy and process (including definition of risk appetite and related strategies)</li> <li>• Use of risk action plans to monitor outstanding risk actions</li> <li>• Improvements to IT Disaster Recovery / Business Continuity / Resilience</li> </ul> <p><b>Low Priority:</b></p> <ul style="list-style-type: none"> <li>• Introduction of an action register to capture all improvement actions onto a single list which can be prioritised and tracked</li> <li>• Minor improvements to the procedure for carrying out cash counts</li> </ul>
-----	---	---