

## **GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION**

### **COMMITTEE SUMMARY**

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**Title of the Audit:** Development and Regeneration Services – Tontine Operations

#### **1. Introduction**

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the operation and management of the Tontine.
- 1.2 The Tontine was opened in May 2016 following capital investment from the Glasgow City Region City Deal programme to adapt and refurbish the building. The aim was to provide good quality flexible working spaces for small to medium sized enterprises (SMEs) operating in the enabling technology, advanced design and manufacturing and creative economy sectors, supporting them to develop and grow. Development and Regeneration Services (DRS) is responsible for the management of the facility and the budget for the ongoing associated revenue costs sits with the Economic Development team. Resident SMEs pay a monthly membership fee per occupied desk and benefit from a business development community environment including support from DRS Economic Development Business Advisors, and events and networking opportunities. Businesses operating from at the Tontine are referred to as Members. Development of the Centre for Civic Innovation which will operate from the building in addition to the business incubation area, is still ongoing. To date the space has been used for events.
- 1.3 The purpose of the audit was to ensure there are sufficient and appropriate controls in place covering the operation and management of the Tontine, and that fees and charges are billed correctly and collected timeously to maximise income.

The scope of the audit included:

- Performance targets for the Tontine, and the monitoring and measurement of these;
- Promotion and marketing of the venue;
- Billing and collection of service charges and fees for events and venue hire;
- The current budget and operational plan and proposed future business plan and funding opportunities;
- Documented procedures, roles and responsibilities in relation to management of the Tontine.

#### **2. Audit Opinion**

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and six recommendations which management should address.

#### **3. Main Findings**

- 3.1 We are pleased to report that key controls are in place and generally operating effectively. We carried out sample testing on the monthly billing for five Members over the previous three months and found billing processes were carried out correctly and timeously. Members are required to sign and retain a copy of their Membership Agreement and Client

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Handbook which covers the terms and conditions as well as the services and facilities provided by Tontine; a copy is also retained by Legal Services. Variation Letters are issued by Legal Services if there are any changes to a Member's agreement e.g. the number of occupied desks or monthly membership fee. Monthly reports on the performance of the initiative are provided to the City Deal PMO, and there are adequate processes in place to accurately measure the required target information. Effective budget monitoring processes are in place with four weekly reports being reviewed by management. A pricing review was recently carried out for both desk/office space and events/meeting spaces, and a documented pricing structure for events/meeting spaces and the Tontine's events discount policy has been approved by Senior Management.

3.2 However, our audit testing found that there are some areas of non-compliance. While policies and procedures have been produced in recent months covering pricing, discounts, events and Members' obligations, there is no formal schedule for review or management sign off of operational procedures. This was acknowledged by officers who aim to implement this on an annual basis going forward. We also identified that one SME operating from the Tontine had not been invoiced in accordance with the set fees.

3.3 The current Events Processes were implemented from October 2018. Through sample testing, an instance of non-compliance with this process was identified in relation to the requirement to check for payment in advance for an events

booking. This resulted in the event going ahead without payment, and the outstanding invoice has since been subject to the debt recovery process and has been passed to an external debt management partner for collection. Prior to this there was no formal process in place and sample testing identified various issues including incorrect charging and lack of discount forms for events where no charge was raised. However these particular issues should be addressed by the process brought in from October 2018 and we found no such instances thereafter.

3.4 There is no formal application or assessment process in place for prospective Members to ensure they meet the Tontine's objectives.

3.5 The Digital Marketing Strategy was produced in 2016 and has not been refreshed to date, and there is no marketing plan in place for 2019.

3.6 An action plan is provided at section four outlining our observations, risks and recommendations. We have made six recommendations for improvement. The priority of each recommendation is:

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<b>Priority</b>	<b>Definition</b>	<b>Total</b>
<b>High</b>	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
<b>Medium</b>	Less critically important controls absent, not being operated as designed or could be improved.	2
<b>Low</b>	Lower level controls absent, not being operated as designed or could be improved.	4

- 3.7 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.8 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.9 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> There are documented policies and procedures for staff and users of the Tontine which cover all functions and services, and these are adhered to.				
1	<p>Through a review of operational procedures and discussion with officers it was ascertained that there is no formal schedule for review or management sign off of these procedures (although the first version was signed off by management).</p> <p>It was noted at the time of the fieldwork that there were no documented procedures in place regarding the role of the Business Support Officer who is responsible for billing Members each month for desks and any additional charges. Work is now in progress to prepare these.</p> <p>A lack of documented procedures increases the risk of staff not being fully aware of the processes and procedures in place and their associated roles and responsibilities.</p>	<p>A formal schedule for review of procedures should be put in place and management sign off should be implemented to ensure management oversight.</p>	<p><b>Low</b></p>	<p><b>Response:</b></p> <p>Accepted</p> <p><b>Officer Responsible for Implementation:</b> Economic Development Manager - Tontine</p> <p><b>Timescale for Implementation:</b> 30 June 2019</p>

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2	<p>From sample testing it was found that after the implementation of the Events Procedure in October 2018, the procedures had not been fully adhered to for the arrangement of one event. As per procedures, in this instance, the booking was required to be paid in full by 14 days prior to the date of the event or it should not take place. Payment was not received yet the event went ahead, and the outstanding balance has since been passed to debt management partners to pursue. Officers advised that due to staff sickness procedures had not been followed correctly.</p> <p>Non-compliance with procedures increases the risk of errors with billing and collection and reduces the income raising opportunity available.</p>	<p>Mitigating actions should be considered for administrative support in the event of staff shortages, and appropriate training and documented procedures implemented to support new arrangements.</p>	<b>Low</b>	<p><b>Response:</b></p> <p>Accepted</p> <p><b>Officer Responsible for Implementation:</b> Economic Development Manager - Tontine</p> <p><b>Timescale for Implementation:</b> 30 June 2019</p>

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3	<p>At present, the Tontine is operating at an accepted budget deficit, with revenue costs being met by DRS Economic Development. Plans have been drafted by management to consider additional funding streams and income generation to support the Tontine's running costs, including further utilising the Centre for Civic Innovation part of the building as an events space, or exploring possible sponsorship opportunities or alternative funding sources. The longer term vision is for the Centre for Civic Innovation to be used for collaborative projects between citizens and SMEs, by providing the space and support in order to nurture innovation and entrepreneurship.</p> <p>Progress has been made and officers advised that consideration is still being given to what is the best approach to develop and deliver this area, in order to generate income and be a useful tool for the City as a whole. This area is not subject to City Deal scrutiny as it was not covered by the funding received or Business Case.</p> <p>In the absence of an approved strategy, there is an increased possibility that the full potential of the Centre for Civic</p>	<p>Senior Management should set a timescale for the agreement of a business plan for the future funding and use of the Tontine including the Centre for Civic Innovation, to ensure the full potential of the site is realised, including opportunities for income maximisation.</p>	<p><b>Low</b></p>	<p><b>Response:</b></p> <p>Accepted – in progress</p> <p><b>Officer Responsible for Implementation:</b> Head of Service Development (DRS)</p> <p><b>Timescale for Implementation:</b> 31 December 2019</p>

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	Innovation will not be realised, including opportunities for income maximisation.			
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<b>Key Control:</b> The Tontine is effectively promoted and marketed to help ensure objectives are met.				
4	<p>The Economic Development Manager could demonstrate an understanding of the criteria expected to be applied to businesses occupying the Tontine, however we found that there is no formal application or assessment process for businesses enquiring about taking up Membership within Tontine. A draft application form was provided during the fieldwork and officers advised that they intend to implement a process going forward, however this was still in draft form and had not been approved by management.</p> <p>Without a formally documented application and assessment process there is an increased risk that businesses may be accepted into the Tontine who do not meet the intended criteria and objectives as stated in the Business Case.</p>	<p>An application and assessment form should be implemented to ensure that only Members who are an appropriate fit for the Tontine’s objectives and demonstrate the potential to meet the performance requirements are offered Memberships.</p>	Medium	<p><b>Response:</b></p> <p>Accepted</p> <p><b>Officer Responsible for Implementation:</b> Economic Development Manager - Tontine</p> <p><b>Timescale for Implementation:</b> 30 June 2019</p>

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<b>Key Control:</b> The Tontine is effectively promoted and marketed to help ensure objectives are met.				
5	<p>The Tontine Digital Marketing Strategy has been in place since the launch of the Tontine in 2016. We also found that the communications plan has not been updated for 2019, and did not provide any details as to the content of communications to be issued.</p> <p>Management anticipate that the Tontine will be at 90% capacity by June 2019 and marketing of the facility to fill the remaining space must be balanced with the requirement for the growth accelerator model i.e. ensuring the capacity is available for existing businesses to expand.</p> <p>The lack of a current marketing and promotion plan may limit opportunities to raise awareness and reach potential customers.</p>	<p>The Digital Marketing Strategy should be reviewed in conjunction with the requirement for capacity for expansion for existing Tontine members, to ensure that the Tontine’s brand remains strong and appealing to potential customers.</p> <p>A communication plan for 2019 should also be developed.</p>	Low	<p><b>Response:</b></p> <p>Accepted</p> <p><b>Officer Responsible for Implementation:</b> Group Manager – Business Growth</p> <p><b>Timescale for Implementation:</b> 30 September 2019</p>

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<p><b>Key Control:</b> Members who operate from the Tontine have signed leases which detail the basis of charges and are billed correctly and timeously for service charges.</p>				
<p>6</p>	<p>From a review of the billing arrangements in place for current Members to ensure that the correct charge had been raised in relation to the number of desks occupied, we were provided with a different figure from Business Support and the Business Advisor as to one Member's total number of desks. As the error identified was with the Business Advisor's figure, this did not affect the billing, which was found to be correct. Both officers keep their own Member records as a method of tracking changes.</p> <p>We also identified that one SME operating from the Tontine had not been invoiced in accordance with the set fees.</p> <p>Inconsistency of information between staff within Economic Development may lead to anomalies and potential issues with billing.</p>	<p>Economic Development staff dealing with the Tontine should carry out periodic reviews of information held to ensure their records agree and any discrepancies should be investigated and rectified.</p> <p>Economic Development should also explore the SME which has not been billed correctly and consider if charges should be applied for the period.</p>	<p><b>Medium</b></p>	<p><b>Response:</b></p> <p>Accepted</p> <p><b>Officer Responsible for Implementation:</b> Economic Development Manager - Tontine</p> <p><b>Timescale for Implementation:</b> 30 June 2019</p>