

Staff Lottery

City of York Council

Internal Audit Report 2014/15

Responsible Officer: Assistant Director, Customers and Employees
Service Manager: Head of Business HR
Date Issued: 17 October 2014
Status: Final
Reference: 19130/006

	P3	P2	P1
Findings	2	2	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The staff lottery was established by Human Resources in 2009. It is managed by the staff lottery committee comprising of a chair person (Head of Business HR), treasurer, secretary and a number of other staff representatives.

The lottery currently raises funds of approximately £3,100 a month from payments of fees. Such fees are deducted directly from members' payroll (after tax).

Draws are made once a month, with 50% of takings intended to be spent on cash prizes. At least a further 20% of gross proceeds are then used to support initiatives or projects with the aim of improving the working lives of council staff.

Objectives and Scope of the Audit

The objective of the audit was to provide assurance to management that procedures and controls within the system will ensure that:

- deductions from payroll are applied accurately and appropriately, and can be reconciled to income on Authority Financials
- winners are selected fairly
- procedures operate in line with the constitution
- decisions on how funds are spent are made transparently, authorised appropriately, and publicised.

Key Findings

The lottery continues to grow year on year and has been successful in providing support to projects promoting staff wellbeing with appropriate consideration of suggestions being made. Financial records show clearly to what projects funds have been allocated, and this information is made available to lottery members. The legislative requirements for small society lotteries of the Gambling Act 2005 in relation to income, apportionment of funds, and financial returns are being met.

It was found that while arrangements relating to preparation and checking of information for draws are generally sound, improvements are needed to ensure a more accurate and more transparent process is in place. In addition, updates to the constitution would ensure that the administration of the lottery and decisions about spend suggestions are made as fairly as possible.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Area Reviewed: Accuracy of draw sheets and the lottery database

Severity
Probability



1 Issue/ Control Weakness Risk

Inaccurate information has been included on draw sheets

Draws will not be fair as all chance numbers that have been paid for are not included on draw sheets

Findings

Information on the lottery database was reconciled against the most recent draw sheet (June 2014). It was found that, of the 639 lines of information on the draw sheet, one employee's line had a total of 3 chance numbers entered, which was confirmed to be correct per both the iTrent report and database file. However, both the draw sheet and database files showed that although this employee should have had a total of 3 chance numbers against their name, only 2 numbers in the sequential list were assigned to them. Although the next sequential number is not currently allocated to anyone else in the database, the way the draw sheet is used means that in the event that the 'unallocated' number was drawn, it would be likely an alternative number would be drawn and as such it is possible that the employee could have missed out on a prize.

In addition to this, a review of the database file showed that one employee had a total of 10 chances, although only 3 numbers appeared to be allocated to him. Although the most recent draw sheet correctly showed the full 10 numbers allocated to this employee, this had to be amended manually, and future draw sheets could be prepared incorrectly if this manual adjustment was not made.

1.1 Agreed Action

The database should be updated with the correct number of chances for the 2 cases identified. The database should be independently reviewed on a regular basis to confirm its accuracy.

Historical draw sheets will be reviewed to establish over what period chance numbers were omitted from draw sheets for the first case identified above, and they will be refunded for the chances purchased but not included in the draw.

For the second case, historical draw sheets have been reviewed to confirm that no numbers have been omitted from draw sheets for this employee.

Priority	2
Responsible Officer	XXXXXXXXXXXX
Timescale	30 th November 2014

Area Reviewed: Preparation and checking process for preparing draw sheets

Severity
Probability



2 Issue/ Control Weakness Risk

No separation of duties or independent check for accuracy of draw information
Information may be inaccurate resulting in unfair selection of winners. The lottery draws may be, or may be perceived to be, open to abuse.

Findings

Currently, only one officer is involved in the preparation of draw sheets, and no secondary independent check of the accuracy of information is conducted. This increases the likelihood that errors will be made in preparing the draw sheets, and that winners may therefore be decided using incomplete or inaccurate information. Additionally, involving another member of staff in preparation and checking will decrease the likelihood that the administration of draws will be, or will be perceived to be, open to abuse.

2.1 Agreed Action

More than one officer will be involved in the preparation and sign off of draw sheets, and checking of the accuracy of the lottery database at an agreed frequency.

Priority	2
Responsible Officer	XXXXXXXXXXXXXX
Timescale	30 th November 2014

3 Issue/ Control Weakness Risk

The constitution does not specify that declarations of conflicts of interest must be made by committee members

Conflicts of interest will not be identified, meaning the decision making process is not completely transparent and the council may be open to accusations of impropriety

Findings

There is no reference in the constitution to declaring conflicts of interest, and as such the decision making process may not have taken this into account when allocating funding to spend suggestions.

3.1 Agreed Action

At committee meetings, all staff representatives and executives will be prompted to declare conflicts of interest during discussion of spend suggestions, and where conflicts arise, affected members should remove themselves completely from the decision-making process. The constitution should be updated with these requirements.

Priority	3
Responsible Officer	XXXXXXXXXXXXX
Timescale	30 th November 2014

4 Issue/ Control Weakness Risk

The constitution does not reflect current practice

The importance of the constitution is undermined which could lead to non-compliance with other terms

Findings

It was found that re-election of staff representatives on the lottery committee did not take place after two years. While this appears reasonable given the low level of interest shown in becoming a member of the committee, it is in contravention of the terms set out in the constitution.

As practices have evolved during the time the lottery has been running, and the version of the constitution currently available is from 2012, the document should be reviewed and updated to accurately reflect current practice.

4.1 Agreed Action

The constitution will be reviewed and updated to reflect current practice.

Priority	3
Responsible Officer	XXXXXXXXXXXX
Timescale	30 th November 2014

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.