



GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2004-2005

Leisure Income

Key Financial System

Chris Ellis

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INTERNAL AUDIT REPORT

KEY FINANCIAL SYSTEM AUDIT

LEISURE INCOME

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1. INTRODUCTION

- 1.1 An audit of the Leisure Income system has been carried out in accordance with the 2004/05 Audit Plan. The audit reviewed the procedures in place at the Redhill and Calverton leisure centres and the associated procedures in place at in the central Leisure and Finance departments.
- 1.2 The review established the current procedures and controls in place and evaluated their effectiveness in ensuring the following control objectives were achieved.
- Prices are set centrally and customers are charged in accordance with agreed rates/prices.
 - Secure and effective arrangements are in place for the receipt and recording of income in leisure centres.
 - Income is securely held until banked.
 - Income is promptly and securely banked.
 - Debtor accounts are raised in appropriate circumstances.
 - Income is accurately and promptly accounted for.
 - IT systems at leisure centres are accessed appropriately and backed up effectively.

2. CONDUCT OF AUDIT

- 2.1 Control matrices were reviewed and expected controls established. Against these were recorded the actual controls and related procedures.
- 2.2 Discussions were held with central Leisure Department staff. Visits were made to Redhill and Calverton leisure centres in order to review procedures, observe the layout and arrangements for the handling of cash receipts locally. Specific transactions were selected for review and discussion of local procedures and arrangements were discussed with the Centre Managers and Administrative officers.
- 2.3 System notes were obtained from the previous audit and these were supplemented and updated as appropriate.
- 2.4 Testing was undertaken on the key controls to assess compliance and provide assurance that they are operating effectively. The testing concentrated on the review of pricing and the review of controls to ensure all income was recorded.
- 2.5 Substantive testing of a sample of transactions was carried out to ensure they were all recorded and agreed to the income analysis entered into FMS.
- 2.6 It had been planned to carry out a review of the DNA scheme operated in conjunction with Aquaterra. The intention was to review procedures to ensure the scheme was operating in accordance with the agreed terms and GBC income was being correctly calculated. Unfortunately this element of the audit had to be deferred due to the absence of the auditor. This work will be included in the next Departmental review audit carried out on Leisure Department.
- 2.7 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

3. EXECUTIVE SUMMARY

- 3.1 The following areas of weakness have been identified and recommendations are made in the following areas:
- Price list display.
 - Customer receipt and retention display notices.
 - Sundry income support.
 - Access security to administrative areas.
 - Use of Z total serial numbers/cumulative taking totals from the till systems in use to ensure that all takings are recorded on income return daily banking analysis sheets.
 - Sundry income verified by the attendance of two staff when machines are emptied.
 - Safe combinations changed regularly and safe limits advised annually to each leisure centre.
- 3.2 The recommendations made have been based on the findings at Redhill and Calverton. Where these apply to other locations it is expected that changes to procedures will be advised to all the relevant Leisure locations by Leisure Department.
- 3.3 The Audit Commission Fraud checks for the applicable aspects of cash collection controls were also reviewed as part of the audit and were found to be satisfactory.
- 3.4 The recommendations made are considered to relate to findings that represent a low to medium risk to the Council.

AUDIT ASSURANCE.

As a result of the work undertaken during the audit, it was concluded that the system of recording Leisure Income is well controlled and the majority of controls are sound and well applied.

ACTION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
5.2.2 Med	It is recommended that all Leisure Centres display the current prices prominently in the reception area.	Leisure facilities Officer.	Agreed.	1/4/05.
5.2.4 Med	It is recommended that all Leisure Centres display a notice in the reception area asking all customers to obtain a receipt for their payment and for them to retain this for subsequent inspection.	Leisure facilities Officer.	Agreed. To be added to bottom of price list.	1/4/05
5.2.6 Low	It is recommended that bar price amendments should be subject to managerial review after input to the till. The manager should sign and retain the price list to indicate and support that the check has been undertaken. Such a routine should be applied at all locations where bars are operated.	Leisure Facilities Officer.	Agreed. The manager Richard Herrod to produce a pro-forma.	30/4/05
5.3.2 Low	It is recommended that where keypad access is provided to areas where cash is handled the combination is changed on a regular basis. This should take place at least six monthly or following an incident or staff change. This principle should be applied to all Leisure Centres.	Leisure Facilities Officer.	Agreed. Leisure Centres to be informed in writing.	1/4/05
5.3.4 Med	It is recommended that all Leisure Centres enter the serial number of the "Z" report or the cumulative cash total onto the daily income returns to show that these are consecutive.	Leisure Facilities Officer.	Agreed. Leisure Centres to be informed in writing.	11/4/05
5.3.5 Med	It is recommended that as part of the supervisory review of daily income the continuity of the "Z" total report or the cumulative cash reports are checked and any divergence is investigated. This will ensure all income taken through the till has been recorded.	Leisure Facilities Officer.	Agreed. Leisure Centres to be informed in writing.	11/4/05
5.3.7 Med	It is recommended that leisure centre staff accompany the vending company representative to the emptying of the machine and also observe the counting of the cash. Depending where the income cheque is received the cash takings should be recorded locally or advised to HQ leisure for subsequent checking against the sales provided with the cheque for the GBC share. Any anomalies should be taken up with the vending company. This will ensure GBC receive the correct amount of income.	Leisure Facilities Officer.	Not possible as vending reps remove locked cash box and take to be counted at their HQ.	N/A

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REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
5.3.9 Med	It is recommended that two employees count all local sources of sundry income from equipment and machines involving cash. This should be applied at all Leisure Centres.	Leisure Facilities Officer.	Agreed. Where staff numbers allow.	1/4/05
5.4.2 Med	It is recommended that all safes using combination locks have the combination changed on a regular basis.	Leisure Facilities Officer.	Procedure in place. Leisure centre to comply.	N/A
5.4.4 Low	It is recommended that the Insurance Officer advises each leisure centre of their cash safe limit each April. This will then ensure that the centre managers are in a position to manage their cash holding against these limits.	Insurance Officer.	Agreed	April 2005