



Internal Audit Report

To: Director of Leisure Services, Gedling Borough Council
Subject: Leisure Centre Income
Audit report ref: IAR0607-15
Date: December 2006

Control objective 1: Customers are charged in accordance with authorised rates and prices. Risk: Customers may be charged incorrectly which could result in loss of income to the authority.			
Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
1.1 The Authority has a clear, agreed charging policy for leisure activities.	There is one standard price list which covers all activities within the leisure centres in the borough. Suggested annual increases are submitted to the Portfolio Holder for Leisure for approval. The increases for 2006/07 were submitted on the 7 th February 2006 and agreed on the 21 st . Documentation to confirm this was checked as part of the audit testing.		
1.2 An up-to-date list of rates and charges for leisure activities is displayed wherever customers are being charged.	There are up-to-date price lists displayed in the reception areas of the two leisure centres visited as part of the audit testing, this was confirmed by observations during the visits made during the audit. There are also downloadable price lists available on the Gedling Borough Website which potential customers can also access.		
1.3 Charges are revised annually and are properly authorised and recorded.	The Head of Service, the Resources Officer, the Facility Officer and the Finance and Administration Officer meet to discuss next year's price increases. These are then formally submitted to the Portfolio Holder for approval as per 1.1 above.		

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1.4 Staff responsible for charging customers are aware of and use the current rates and charges.	The current rates and charges are available to both customers and staff. The charges are put in to the computerised till system by the Leisure Department Head Office staff and are standard over all of the Leisure Centres. The tills automatically charge the correct price for whatever activity is being undertaken, any discounts have to have the correct identification.		
1.5 All Direct Debit customers are billed correctly each month.	The direct debits for Gedling Borough Council Leisure Members are collected and managed by a company called 'Aquaterra'. A monthly report is sent through to the Leisure Head Office showing the direct debits collected and the failed payments. Failed payments can result in the membership being cancelled. The reconciliation for July 2006 was checked as part of the audit testing and found to be satisfactory.		
<p>1.6 Appropriate controls are in place to ensure charges are made accurately, e.g.</p> <ul style="list-style-type: none"> • wherever possible, through reconciling the number of ticket issues to the value of revenue collected (where standard charges apply per session/unit). • pre-programmed computerised systems display the current charge/rate for the activity concerned. • concessionary charges are only allowed on proof of entitlement. 	<p>At Arnold Leisure Centre, the door to the fitness rooms must be opened by the person manning reception and it is not possible for members of the public have to have free access. This was confirmed by observation during the audit visit.</p> <p>At Richard Herrod Leisure Centre, the fitness instructor collects tickets from participants before commencing the class.</p> <p>See 1.4 above</p> <p>Concessionary charges are only applied if a valid Gedling Leisure Card is presented at the till when making the payment for an activity.</p>		

Control objective 2: Debtor accounts are raised promptly where payment is not received in advance.			
Risk There may be an adverse impact on cash flow or even a loss of income to the authority.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.1 Sundry debtor accounting arrangements and officer responsibilities are clearly defined.	<p>There is no formal record of the arrangements for raising Sundry debtors or the set out officer responsibilities.</p> <p>One Leisure Centre Manager contacted during the audit was unable to confirm if his leisure centre staff raised their debtor accounts or they were produced at Leisure Services Head Office.</p>	X	<p>Procedures for raising invoices should be formally documented, including officer responsibilities, to ensure proper control is exercised over all debtor accounts. (Medium Risk)</p> <p><u>Response of the Head of Leisure Services</u> Procedure notes will be written and distributed to Facilities Managers.</p> <p><u>Officer Responsible for Implementation</u> Leisure Facilities Officer and Leisure Finance Admin Officer</p> <p><u>Date for Implementation</u> February 2007</p>
2.2 Invoices are raised promptly for all activities not paid for in advance.	Invoices are raised by the staff at Leisure Services Head Office, although Richard Herrod and Redhill Leisure Centres raise their own invoices. Regular invoices raised by the Leisure Head Office are produced at the month end and include, for example, regular football pitches and Community Centres bookings. The Cemeteries Section raise their invoices after the funeral has taken place.		
2.3 Accounts are uniquely numbered and can be traced to the initiating officer.	All debtor accounts are individually numbered as they are raised on the debtor system. All debtor accounts can be traced back to the initiating officer by reference to their individual logon.		
2.4 Debtor accounts are only raised where cash in advance or payment at the time of service is not possible.	Debtor accounts are only raised for services which are not paid for in advance, for example the cost of interments, and the purchase of graves. Bookings for football pitches by clubs and the use of regular community centres. Bookings for parties and weddings are paid for in advance.		

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2.5 There is a policy of only raising debtor accounts over a specified value.	Gedling Borough Council have no minimum specified value for raising debtors, however Rushcliffe Borough Council who manage Gedling's Debtor system only raise debtors over the value of £2.50.		
2.6 A record is maintained of bad and doubtful debtors in order that no further debts are allowed to accrue.	<p>There was no up-to-date record of bad and doubtful debtors available in the Department at the time of the audit visit. It was confirmed with the Incomes Section that lists are sent out to the Departments on a monthly basis.</p> <p>However, lists of overdue debtors are not sent out to the Leisure Centres showing just their own debtors. This means they are not able to monitor payments and cancel further bookings with overdue clients which could result in further losses.</p>	X	<p>An up to date record of bad and doubtful debtors should be maintained within the department and distributed to the leisure centres to ensure that no further credit is extended to these clients. <i>(Medium Risk)</i></p> <p><u>Response of the Head of Leisure Services</u> Rushcliffe BC supply debtors records which are distributed to all Leisure Centres on a monthly basis.</p> <p><u>Officer Responsible for Implementation</u> Leisure Facilities Officer and Leisure Finance Admin Officer</p> <p><u>Date for Implementation</u> October 2006</p>

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2.7 Requests for credit notes, cancellations and write-off should be certified by an authorised employee.	All requests for credit notes, cancellations and write-offs have to be requested by Gedling Borough Council but can only be processed by Rushcliffe Borough Council. It was noted during the audit that there is no evidence of checking or authorisation on the completed paper work sent through to Rushcliffe.	X	<p>All requests for credit notes, cancellations and write-offs should be have a recognised authorising signature from Gedling Borough Council. (Medium Risk)</p> <p><u>Response of the Head of Leisure Services</u> Two forms are available which require authorisation to process credit notes cancellations etc. These are then processed by Rushcliffe BC. Copy of forms available on request.</p> <p><u>Officer Responsible for Implementation</u> Leisure Facilities Officer and Leisure Finance Admin Officer</p> <p><u>Date for Implementation</u> October 2006</p>

Control objective 3: Arrangements for receiving and recording income at leisure centres are effective.**Risk: Inappropriate arrangements for the recording income could result in loss of income to the authority.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
3.1 Collection procedures and responsibilities are clearly laid down in financial regulations and local procedural notes.	Procedures were available at the Leisure Centres visited outlining the collection of cash. Section 4.23 in the Gedling Borough Council Standing Orders refers to the Key Controls for the collection of cash income due to the authority. The Standing Orders are available to staff on the Gedling Council Intranet.		
3.2 Fidelity insurance is in place for all employees with cash collection duties.	The Council has fidelity insurance cover for all its employees up to £500,000.		
3.3 Cash offices are situated in a physically secure environment.	The cash offices visited have doors with security keypads. The access code is restricted to authorised staff only and changed on a regular basis or when a member of staff leaves. This was confirmed through discussion and observation. It was noted however at one of the leisure centres visited the door was propped open at times, but only when cash was secure in the safe.		
3.4 All income received is properly and promptly recorded.	At Arnold Leisure Centre the reception till is balanced twice daily. At Richard Herrod the reception till is balanced at the end of the day.		
3.5 Stocks of receipts are stored securely and issued as controlled stationery.	All receipts issued by the Flex system are individually numbered by the till when the transaction is made, there are no pre-numbered receipts.		

Control objective 3: Arrangements for receiving and recording income at leisure centres are effective.			
Risk: Inappropriate arrangements for the recording income could result in loss of income to the authority.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>3.6 Access to and operation of cash receipting machines is restricted to authorised staff.</p>	<p>Access to the cash receipting tills is restricted to staff who have been given authority by the centre managers and I.T. When staff sign the documents giving them authorisation they confirm they will not divulge passwords and share log-ins.</p> <p>However during a visit to one of the leisure centres the auditor became aware that some sharing of passwords does take place.</p>	<p>X</p>	<p>All staff should be reminded that sharing passwords is prohibited by the Authority's IT security policy. Each officer should only use their own user-id and password when logging on to any of the Authority's IT systems. <i>(High Risk)</i></p> <p><u>Response of the Head of Leisure Services</u> IT security raised at Facility Managers meeting on 27th November 2006 and included in the minutes. Also a back-up email was sent out to managers reminding them to ensure all staff have been made aware of the Councils IT Security Policy.</p> <p><u>Officer Responsible for Implementation</u> Leisure Facilities Officer</p> <p><u>Date for Implementation</u> November 2006</p>
<p>3.7 In the case of income received by post:</p> <ul style="list-style-type: none"> • the post is opened by two members of staff, wherever possible. • Details of income received are recorded immediately in a register and initialled by both members of staff. • Where income is passed on to other officers for processing, there is evidence of the amounts handed over to ensure a complete audit trail. 	<p>At Richard Herrod Leisure Centre, the post is opened by the person on duty in reception. This is normally the Administration Assistant who processes the income at the time of opening the mail. As she deals with the block bookings and other social bookings for the Leisure Centre it would be very unusual to pass the income to another officer. This was confirmed through observation during the audit visit.</p> <p>At Arnold Leisure Centre it is normally the Administration Officer/Duty Officer who opens the mail. All income received through the post is entered into a book and then input into the reception till. Again this was confirmed through checking the book and observation during the visit.</p>		

Control objective 4: Cash and Cheques are held securely until banked.
Risk Cash or cheques may be lost resulting in loss of income to the Authority.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>4.1 Secure arrangements exist for the custody of all collections not deposited at the bank on the day of collection:</p> <ul style="list-style-type: none"> • The safe is adequate and situated in a secure place. • Access to safe keys is limited. • Safe keys are kept in a secure location. 	<p>The safes for both of the Leisure Centres visited as part of the audit are situated in the administration offices; access is gained through doors with key pad locks. See 3.3 above.</p> <p>Both safes have number combination locks. Access to the number combinations are restricted to six members of staff at Arnold and seven at Richard Herrod. It was confirmed through discussion that the combinations are changed at least twice per year and also when there is a change of staff.</p>		
<p>4.2 Adequate insurance is in place for the quantity of income held in safes prior to banking.</p>	<p>The insurance limit for cash at Richard Herrod is £10,000 and at Arnold it is £7,500.</p>		
<p>4.3 Arrangements for the transfer and banking of cash and the vehicles are used for cash in transit are secure.</p>	<p>There is a standard collection agreement with Kings for the collection of cash and cheques from Gedling Borough Leisure Centres. Collections are made at both of the leisure centres visited three times a week, Monday, Wednesday and Friday. Although a copy of the extension to the agreement was not available during the audit visit.</p>		

Control objective 5: Income is banked promptly and securely.			
Risk Income not banked promptly could result in loss of income to the authority.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
<p>5.1 Cashiers are required to closedown and cash up daily.</p> <p>Cash is banked at least every two days.</p>	<p>The tills at Arnold Leisure Centre are cashed up twice each day. Voids and refunds can only be carried out by Leisure Centre Managers and Duty Managers. Receptionists do not have the authority to carry out voids and refunds.</p> <p>The tills at Richard Herrod are cashed up at the end of the day – close of business. However the receptionists do have the facility to do voids and refunds, without the authorisation of other more senior staff. Void and refund slips are not always retained.</p>	<p>X</p>	<p>For every refund or void recorded on the till, there should be copies of the relevant void and refund slips. These slips should be signed by both the receptionist and the Leisure or Duty Manager who authorised the transaction. These slips should be retained as part of the audit trail.</p> <p><i>(Medium Risk)</i></p> <p><u>Response of the Head of Leisure Services</u> Richard Herrod Senior Staff reminded of having a clear Audit Trail for refunds/voids and to ensure all documentation relating to this is included in the cashing –up returns.</p> <p>Also a reminder of the refund/void procedure discussed at the facility managers meeting on 27th November 2006</p> <p><u>Officer Responsible for Implementation</u> Leisure Facilities Officer</p> <p><u>Date for Implementation</u> December 2006</p>
<p>5.2 Cashier control totals and an analysis of cash and cheques are produced daily and scrutinised by management.</p>	<p>At both Leisure Centres, daily cash summaries are completed and signed by the Duty Manager on shift. These summaries are forwarded to the Leisure Services Head Office weekly.</p> <p>Three weeks of takings and bankings were checked for each Leisure Centre visited. This testing was found to be satisfactory.</p>		

Control objective 5: Income is banked promptly and securely.			
Risk Income not banked promptly could result in loss of income to the authority.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
5.3 The value of collections recorded for each cashier is reconciled to the bankings.	Reconciliation of the takings with the 'Z' reading is taken each time the till is cashed up. These were checked as part of the testing in 5.2 above.		
5.4 There is a list of cheques for each banking.	The cheques are listed on a separate BPIS to any cash banked.		
5.5 Monitoring arrangements provide management with reports on delayed banking.	The three week's bankings for the above testing was checked and found to have been banked promptly.		

Control objective 6: Income is accounted for promptly and accurately.			
Risk Income not accounted for accurately and promptly could be misappropriated without being detected.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
6.1 Income collection summaries are authorised by Leisure Centre management and forwarded promptly to Leisure HQ for processing.	At Richard Herrod the Assistant Leisure Centre Manager emails the weekly cash collection summaries to Leisure Services Head Office on the following Monday. The Administration Officer does the same at Arnold Leisure Centre.		

Control objective 6: Income is accounted for promptly and accurately.			
Risk Income not accounted for accurately and promptly could be misappropriated without being detected.			
Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
6.2 Budgetary control arrangements ensure that significant variations in expected income levels are identified and investigated.	Actual and budgeted income for all leisure centres is monitored monthly the Finance Section in Leisure Services. Each month Leisure Centre Managers send a report showing any variances together with their explanations. Reports are also presented to Committee on a quarterly basis.		

Control objective 7: Leisure centre IT systems are controlled effectively, only allow authorised users to access the system and are backed up regularly.

Risk: Uncontrolled access to IT systems could result in unauthorised transactions being processed.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
7.1 IT systems can only be accessed by authorised personnel. Any amendments to personnel having access must be formally approved.	<p>The Leisure Centre Managers contact Gedling IT Section at the Civic Centre for initial Log on authorisation for new Leisure staff. The IT section set these up then forward the details to the Centre Managers, who complete the documentation and organise the authorisation. They then confirm these back to the IT Section on completion.</p> <p>Three members of staff from the two leisure centres visited had their IT applications checked as part of the audit testing and were found to be satisfactory.</p>		
7.2 Back-up copies of computer files are taken at appropriate intervals.	<p>The computer systems for the Authority are backed up Monday to Friday at 3.00 am. These backups are taken off site and held in a secure location. This was confirmed during discussion.</p>		
7.3 Sufficient generations of files are kept and back up is stored at a remote location.	<p>There are three weeks of Monday to Thursday tapes, five weeks of Friday tapes and twelve weeks of month end tapes. All of which are held off site in a secure location. This was confirmed during discussion.</p>		
7.4 In the event of the computerised system becoming inoperable, there is a satisfactory manual system to serve as a back up.	<p>There is a contingency manual system which would be used should the computer system fail. Staff confirmed that the system worked.</p>		
7.5 Computerised records of transactions are retained in accordance with the Authority's requirements.	<p>The computer records are kept as per 7.2 and 7.3 above in accordance with the Authority's requirements.</p>		

Control objective 8: The recommendations made in Leisure Income Report dated January 2006 have been implemented satisfactorily.

Risk: Known control weaknesses may affect transaction processing.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
2.1 Procedures for raising invoices should be formally documented, including officer responsibilities, to ensure proper control is exercised over all debtor accounts.	Procedures for raising invoices were documented after the last audit visit. This documentation was made available during the audit. However the system has since been superseded.		