



INTERNAL AUDIT
FINAL REPORT

Title: Review of Leisure Income

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of Leisure Income was undertaken as part of the approved internal audit periodic plan for 2007/08.

As part of the audit testing visits were made to two leisure centres: Redhill and Calverton. All of the Borough's Leisure centres have now been visited for audit testing within the last three years.

The expected income for Redhill and Calverton Leisure Centres for the financial year 2007/08 is £620,000 and £275,000 respectively. The total expected Leisure income for 2007/08 is over £4.7m.

The value of overdue debtors for Leisure Income as at July 2007 was almost £81,000.

Principal Findings

	High	Medium	Low
Number of recommendations	2	7	2

The detailed findings and associated recommendations are provided in the second part of this report. The high-risk recommendations relate to:

- The inappropriate sharing of till log-ins.
- The controls over IT access for both leavers and officers within the Leisure Department.

The medium-risk recommendations relate to:

- The lack of a full audit trail and authorisation by senior officers for voids, refunds and till adjustments.
- The lack of complete, standard financial procedures to be followed by all Centres.
- Block booking payments falling into arrears and inadequate attempts to recover amounts due.
- Improvements in the financial management of discounts offered for block bookings.
- More timely monitoring of debt outstanding.
- Improvements in the audit trail to enable debtor accounts to be traced more readily back to the initiator.

Assurance Statement

Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The objective of our audit was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

The key risks associated with the system objectives are:

- Customers may be charged incorrectly, which could result in the loss of income to the authority.
- There could be a loss of income to the authority, together with additional costs for collecting outstanding income.
- Loss of income due to fraud and error, inefficient processing or inappropriate activity.
- Uncontrolled access to IT systems could result in data being amended without adequate documentation and authorisation.

The control areas included within the scope of the review were:

- Financial Regulations and procedures;
- Debtors.
- Receipt, recording and processing of income
- Security of income held
- Access to IT systems

The following limitations to the scope of the audit were agreed when planning the audit:

- We will not actively seek to detect fraud;
- We will not review the system for budgetary control;
- We will not review any associated feeder systems, other than control totals and the input/transfer of these;
- We will not form an opinion on the financial state of affairs of the Authority.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Documented Financial Procedures Level of Risk - Medium</p>			
<p>It was confirmed by members of the Leisure Team that there are some formalised documented procedure notes in place. It was agreed at the previous audit that procedures would be documented and distributed.</p> <p>However, we have identified a need for the procedure notes in use by all leisure centres to be consistent and standardised for all day-to-day tasks that are performed.</p> <p>As part of the implementation of the Quest process for quality management, formal and consistent procedure notes (Normal Operating Procedures) need to be put in place.</p>	<p>There is a risk that staff, especially any new members of staff are not fully aware of how tasks are to be performed. This may lead to inconsistency in the application of controls over the department's income.</p>	<p>In drawing up the Normal Operating Procedures (NOP's) for the Quest process, particular attention should be given to the areas of procedural weakness identified by this review.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: NOP's for all sites to be reviewed in relation to these areas (see annex B). All staff to be informed of changes.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Block Booking Payments Level of Risk - Medium</p>			
<p>A review of the block booking payments at the Leisure Centres visited found that a number of bookings had arrears and no action had been taken to recover the late payments. In addition, the facilities were continuing to be provided to these same customers.</p> <p>At the time of the audit visit, Redhill Leisure Centre had debtors from block bookings of over £6200. There were a small number of debtors at Calverton, the main one being a swimming club invoiced on a monthly basis.</p> <p>When completing a block booking form the customer agrees to pay the hire charge before the date of the booking. The Authority's Financial Regulations, section 4.23(d), require that effective action is taken to pursue non-payment.</p>	<p>There is a risk of loss of income to the authority, along with additional costs in recovering the late payments.</p>	<p>All block bookings should be paid for in advance, or at least on the day of the activity, as per the signed booking form conditions.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Staff to be made aware that customers should pay in advance. Centre Managers to monitor and to put into place system for checking arrears regularly (monthly). Any arrears not resolved immediately need to be put onto Sundry debtors list to be Monitored by Leisure HQ. Customers on Sundry Debtors should not be allowed repeat use until paid. All staff to be made aware and ensure all appropriate staff trained on sundry debtors system.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Block Booking Discounts Level of Risk - Medium</p>			
<p>When checking the block booking charges it was noted that discounts are being given to certain groups.</p> <p>Enquiries about the accounting for discounts given revealed that all charges are recorded net of discount and that no separate account is held to record the discounted element. This means there is no record of discounts given and no transparency over the number or value of these discounts.</p> <p>We were unable to identify a formal policy for the offering of discounts to customers.</p>	<p>The loss of income to the Authority through the excessive or inappropriate offering of discounts to customers.</p>	<p>There should be formal guidelines issued to Centre Managers regarding the offering of, and accounting for, discounts to customers.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: All rates should be in accordance with Pricing Policy unless approval has been given by Head of Leisure (One off).</p> <p>Planned Corrective Action: Managers to be informed. Managers to check rates currently charged. Managers to inform appropriate staff.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Prompt Raising of Debtor Accounts Level of Risk - Medium</p>			
<p>When checking the arrears on the block bookings it was established that invoices and debtor accounts had not been issued for non-payments. Therefore the normal time triggers of the Authority to chase payments will not have been instigated.</p>	<p>Income due may be foregone if debtor invoices are not raised promptly and then subject to appropriate monitoring.</p> <p>If debtor accounts are not raised promptly, the debt figures used for accounting purposes may prove inaccurate.</p>	<p>Debtor accounts should be raised promptly as arrears occur, and consideration should be given to withdrawing leisure facilities to customers until debts are settled.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Staff to be made aware that customers should pay in advance. Centre Managers to monitor and to put into place system for checking arrears regularly (monthly). Any arrears not resolved immediately need to be put onto Sundry debtors list to be Monitored by Leisure HQ. Customers on Sundry Debtors should not be allowed repeat use until paid. All staff to be made aware and ensure all appropriate staff trained on sundry debtors system.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Debt Reports Level of Risk - Medium</p>			
<p>One of the Leisure Centres visited had not received a debt report this year. The other Centre has received reports but do not cross-reference their own users to debtors using other centres.</p> <p>It was recommended at the previous audit that lists of bad and doubtful debtors should be distributed to leisure centres to ensure no further credit is extended to those customers.</p>	<p>Allowing debtors at other establishments to use facilities could result in additional losses to the Authority.</p>	<p>Debt reports should be issued to the Leisure Centres on a monthly basis to ensure they can manage their own debtors and, in addition, do not allow additional debts to be incurred by users in arrears at other centres.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Debts will be monitored at site on a monthly basis and Sundry Debtors raised. Debtors will then be monitored by Leisure HQ Finance. The Assistant F&O Officer receives debtors lists from Finance. These are to be forwarded to sites for monitoring purposes.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Tracing Debtor Accounts to Source Level of Risk - Medium</p>			
<p>When looking at the debt reports it was very difficult and time consuming to establish which Section or Leisure Centre had raised the original debtor invoice. This detracts from the efficient monitoring of the debt report.</p>	<p>Without the regular monitoring of debt reports additional debts may be incurred by the Authority. Debtors' arrears may not be cleared if ownership of the original debt is not easily established.</p>	<p>Each section or Leisure Centre should have an individual reference number on the debtor system.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Finance department to provide individual facility/section coding on Sundry Debtors system. Individual facility/section coding to be included on reports sent to Leisure HQ.</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Sharing Till Log-ins Level of Risk - High</p>			
<p>At times, log-ins on the tills are shared by staff when covering breaks and lunches. This impairs compliance with Financial Regulation 4.08, which requires there to be an effective management trail for all financial transactions.</p> <p>The sharing of passwords for access to IT systems was highlighted in the previous report.</p>	<p>The sharing of log-ins does not give a true audit trail of who completed the transactions on the tills, and the practice does not protect the interests of the individuals operating the system.</p>	<p>Staff using the tills should only use their individual log-ins at all times. One log-in should not be shared by a number of users.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: During busy times when staff are drafted in to cover on reception it is not always possible to log on and off the till due to the length of time this takes.</p> <p>Planned Corrective Action: Centre management to be informed that sharing log-ons is not advocated under any circumstances. Centre management to be informed that wherever possible all staff need to log-in with their own windows and Flex log-ons before using reception. A change-user on the Flex system should be utilised in all cases where a different member of staff is carrying out a transaction to that who is logged-in. This will ensure that till transactions are user-identifiable.</p>

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			<p>A change of windows log-on should be instigated whenever staff are away from the reception terminal for a longer period of time.</p> <p>LFO to raise at Management meetings.</p> <p>Timescale: November 2007</p>
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 - Voids, Refunds and Adjustments Level of Risk - Medium</p>			
<p>During the checking of the cashing-up procedures at the Leisure Centres visited, it was noted that voids and refund slips are not always retained. Those that are retained are not always signed by a senior officer.</p> <p>In addition there was a slip for a £100 till adjustment, which was not authorised by a senior officer.</p> <p>It was agreed at the previous audit to remind staff of the importance of retaining appropriate evidence for the approval of voids, refunds and adjustments.</p>	<p>Misappropriation of the Authority's Income.</p>	<p>For every refund, void or adjustment 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>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: All staff to be made aware. LFO to raise at Management meetings. LFO to amend the NOP's (see 7.08 and 17.15 in annex B).</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 9 - Cash / Cheque Analysis Level of Risk - Low</p>			
<p>When checking the bankings and cash and cheque analysis it was noted that, although the banking totals were correct, the cheque and cash breakdowns did not always agree to the till readings.</p> <p>Financial Regulation 4.32 requires that income is paid in to the bank account in the form in which it is received. Financial Regulation 4.33 goes on to require that income is not used to cash personal cheques or other payments.</p>	<p>The cashing of personal cheques through the tills, and the misappropriation of the Authority's Income.</p> <p>Contravention of the Authority's Financial Regulations.</p> <p>Failure to keep a reliable record of cash collected for insurance purposes should cash be lost.</p>	<p>Any income, which is recorded incorrectly on the tills, should be voided and receipted correctly (void slips to be kept as recommended above).</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: All staff to be made aware. LFO to raise at Management meetings. LFO to amend the NOP's (see 17.12 in Annex B).</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 10 - Cash Sheets and Bank Paying-in Slips (BPIS) Level of Risk - Low</p>			
<p>When checking the BPIS and cash sheets it was noticed that all had not been signed by the officer responsible for the cashing-up of the tills and the corresponding bankings.</p>	<p>There is not a full audit trail for the banking of income. It could also lead to a misappropriation of the Authority's Income. Contravention of the Authority's Standing Orders 4.08.</p>	<p>All cash sheets and BPIS should be signed by the officer completing them.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: All staff to be made aware. LFO to raise at Management meetings. LFO to amend the NOP's (see 7.08 and 17.12 in annex B).</p> <p>Timescale: November 2007</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 11 - Access to IT Systems Level of Risk - High</p>			
<p>From reviewing the documentation showing Leisure staff with access to IT systems, it was noted that some staff had access to Leisure Centre IT systems other than at the centre where they worked; it appeared that access privileges had not been reviewed when staff take up new positions at different centres. Also, one known leaver (ref. AD5) had not had their access terminated.</p>	<p>Unauthorised access to, and use of, IT systems.</p>	<p>The IT access for all leavers should be revoked promptly. IT access should be reviewed and amended as appropriate whenever staff take up new positions within Leisure Services.</p> <p>Action: Jayne Cox – Leisure Facilities Officer</p>	<p>Management Comment: Removal of users on the Leisureflex system is communicated from the I.T. Dept, through to Centre Management. This triggers the removal of access rights within the Leisureflex system, for ex members of staff.</p> <p>Planned Corrective Action: Copies of leavers forms are to be passed through to the Personnel Dept, and then on to I.T. Dept, at earliest opportunity to allow communication of removal of Leisureflex access rights to centre management staff.</p> <p>Timescale: Immediate</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risk arising from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are one or more significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk

ANNEX B

7.08 RECONCILE TILL

- The receptionist will count the takings from their own session, the Duty Manager will be called to check the takings and reconcile the till.
- Ensure the receptionists have no refunds to be taken off before signing off the session.
- The procedure on Flex is
 - 04 - Till Controls
 - 04 - Reconcile Till
 - Select the number of the session to be cashed up
 - A star will appear next to the select number
 - Select 'Y' to reconcile
 - Enter the takings
 - Select 'Y' to confirm amount
- Both the receptionist and the Duty Manager need to sign the printed receipt and the cashing up slip.
- Both the receptionist and duty manager must initial all error and refund receipts. Stating the reason for the refund on the receipt. These are to be stapled to the takings sheet.
- If the till is more than £5 out a list of all the tickets from that session will be printed in the Admin Office.
- A check of the safe and the monies taken should be carried out, if the money is not found a note should be placed in the Assistant Managers Occurrence Book so the person doing the banking is aware of the problem.
- If the money is found a 'Till Adjustment' can be processed, by the Duty Manager
 - 04 - Till Controls
 - 06 - Till Adjustment
 - Enter the slip number exactly as it appears on the printed receipt e.g. glb.114.114.254
 - Adjustment Amount – if the till was down and money was found enter £5.00, if money needs to be taken away enter -£5.00.
 - If the monies found is cash press 'return' for a cheque enter 'x'.
 - The receptionist and Duty Manager must sign the adjustment slip. The reason for the adjustment must be written on the slip and initialled by both the duty manager and receptionist

17.12 CASHING UP

Security of employees and takings are paramount

This process should be undertaken away from the reception counter, in a secure location

- Take out the £75 float, ensure you follow the guidelines on the top of the float tin for the quantity of each tender.
- Sign the till session off (as per the Reception Flex User Guide)
- The remaining amount should be logged onto the cashing up/banking slip.
- All takings should be bagged, in banking bags.
- Call the Duty Manager to check the takings and reconcile the till on Flex (as per the Flex manual)
- The till reconciliation slip breaks down the amount of cash takings, amount and number of both cheques and card transactions. This should match with the amounts and number on the takings sheet. The Duty Manager and receptionist should undertake investigation of any variance. The reason for the discrepancy must be written on the takings sheet with both the reception and duty Manager initials.
- Receptionist and the Duty Manager should sign the Takings Sheet and Reconciliation receipt.
- All refund slips/ error slips and till adjustments should be stapled to the takings slip. These slips should all have the Duty Manager and reception initials and the reason for the error/ refund and adjustment.
- Takings and float to be placed in the safe by the Duty Manager

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- Receptionist and the Duty Manager should sign the Takings Sheet and Reconciliation receipt.
- All refund slips/ error slips and till adjustments should be stapled to the takings slip. These slips should all have the Duty Manager and reception initials and the reason for the error/ refund and adjustment.
- Takings and float to be placed in the safe by the Duty Manager

17.15 REFUNDS & VOIDS

VOIDS, REFUNDS AND TILL CORRECTION CAN ONLY BE CONDUCTED BY THE DUTY MANAGER

If an error has been made:

- Initial and keep the error receipt
- The Duty Manager Refund Slip should be attached to the error receipt, initialled by both the Duty Manager and Receptionist.
- The reason for the refund should also be stated on the Refund Receipt such as “expired Gedling Leisure Card”
- The receipts of the refund and error should be attached to the Takings Sheet at the end of the shift

Till adjustments

- If a till adjustment is required this should be conducted by the duty manager. The reason for the till adjustment should be written on the takings sheet with both the reception and duty manager initials.
- The till adjustment should be undertaken under the duty managers user log in.

Large refunds are not permitted through the till, such as a Party refund, the Finance and Administration Manager should process this. This refund will be received by the customer within three weeks of the request, by cheque, through the post.

Refunds for courses such as Swimming Lessons or Geddles, the customer should be advised to write a letter to the Centre Manager.