



INTERNAL AUDIT

FINAL REPORT

Title: Leisure Income (Refundable Deposits)

Report Distribution

For Action: Sarah Dunn Community Centre Manager
Clare Spencer Finance & Administrative Officer

For Information: Keith Tansley Head of Leisure Services
Mark Kimberley Head of Corporate Services
Sally Smith Audit Commission

Prepared By: Suresh Mistry

Draft Issued: 15th October 2009

Final Issued:

| Contents | Page |
|--|-------|
| Executive Summary | 2 |
| Introduction | 3 |
| Detailed Findings | 4-10 |
| Annex A – Audit Definitions / Responsibilities | 11-12 |

EXECUTIVE SUMMARY

Introduction

The Authority has seven Community Centres that are available for public hire for leisure activities and community events. Literature advertising the various activities is printed and displayed at various locations including Leisure Centres. The facilities are also promoted through the Internet on the council's web pages.

The price list is publicised with the current rates and methods of booking and payment. Refundable deposits are levied for the hire of the Community Centres (no such levy is charged at Leisure Centres).

Principal Findings

| | High | Medium | Low |
|---------------------------|------|--------|-----|
| Number of recommendations | 0 | 1 | 4 |

The detailed findings and associated recommendations are provided in the second part of the report. The medium risk recommendation relates to:

- No formal written policy or guidelines for the letting procedures and recording the booking and payments.

Assurance Statement

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

INTRODUCTION

Objective & Scope

To review and evaluate the bookings procedures and the adequacy and effectiveness of the internal control arrangements.

The key risks associated with the system objectives are:

- Loss / theft of cash or cheque.
- Loss of booking records.
- Loss of future business.
- Loss of income due to fraud, theft and error

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

- The scope of the review will focus predominantly on booking arrangements and the overall process for this service.
- Identification of current procedures from initial booking and receipt of income to the conclusion of refunding the deposit.
- Evaluation of the effectiveness of current procedures, particularly the booking agreements and signature for receipt of income, recording, storage and banking of cash.
- Identify whether adequate procedure documents exist and evaluate the effectiveness of these and level of compliance in mitigating the risks associated with the process.

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 authorities 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 |
|---|---|--|--|
| Recommendation 1 - Hire of Community Centres (Policy and Guidance) Level of Risk - Medium | | | |
| <p>The Council's Constitution highlights, under officer delegation, the allocation of responsibility for individual lettings within the policies of the Leisure portfolio.</p> <p>There is no written policy or guidelines in respect of community centre lettings.</p> | <p>Loss / theft of cash or cheque items.</p> <p>Damage to GBC reputation.</p> | <p>A formal policy and supporting guidelines for public hire of Community Centre premises and equipment should be developed and deployed.</p> <p>These should cover the end-to-end booking process, including procedures for refundable cheques (as outlined in recommendation 4).</p> <p>Action: Sarah Dunn – Community Centre Manager</p> | <p>Management Comment:</p> <p>Admin procedure in place for bookings – terms and conditions of hire also outline the policy for use of venue and equipment.</p> <p>Planned Corrective Action:</p> <p>Cheque refunds procedure to be written and implemented.</p> <p>Pricing policy is currently being addressed.</p> <p>Timescale:</p> <p>31/01/2010</p> |

| Observation | Risks | Recommendation | Management's Response |
|--|--|---|--|
| Recommendation 2 - Price Lists Level of Risk - Low | | | |
| <p>The hire charges for Community Centres are published on leisure price list leaflets, and on the Internet.</p> <p>The price list is enclosed with all booking applications sent out as a result of customer enquiries.</p> <p>It is noted that the price list does not indicate the currency and rate applicable for the period. Charges for the Performing Rights Society (PRS) are not shown on the price lists.</p> | <p>Loss of future income.</p> <p>Damage to GBC reputation.</p> | <p>All publicised price lists should state the unit of the charges applicable and the period.</p> <p>All charges for the provision of the facilities offered should be included on the list.</p> <p>Action: Clare Spencer – Finance and Administrative Officer</p> | <p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A note regarding prices published at hourly rate to be incorporated into the 10/11 price list.</p> <p>Charges for PRS where applicable statement to be included on the price list.</p> <p>Timescale: 30/04/2010</p> |

| Observation | Risks | Recommendation | Management's Response |
|---|--|---|--|
| Recommendation 3 - Booking Application Forms Level of Risk - Low | | | |
| <p>Customers enquiring about the hire of any of the Community Centres are forwarded a provisional confirmation letter together with an application form.</p> <p>Customers complete the application form detailing the dates and time of hire, facilities required.</p> <p>This allows the officer to calculate the charges for the hire period, provide notice to the caretaker, record the booking in outlook and confirm receipt of payment.</p> <p>A review of completed application forms revealed that:</p> <ul style="list-style-type: none"> • Applications are not always fully completed (date omissions). • Deposit and hire charge amounts are not always identified, particularly where special rates are offered. • No independent checks undertaken. | <p>Failure to ensure the accuracy of bookings and loss of income due to error.</p> <p>Undertaking inappropriate and or preferential booking.</p> | <p>Periodic management checks should be undertaken to ensure all application forms are complete and entered on to outlook accurately.</p> <p>Discrepancies should be monitored and, where appropriate, staff issued with reminders with the need for accurate and complete entries.</p> <p>Action: Sarah Dunn – Community Centre Manager</p> | <p>Management Comment: Recommendation agreed, no system in place for periodic spot checks.</p> <p>Planned Corrective Action: To introduce periodic checks of booking forms and all associated documentation to ensure procedures are followed correctly.</p> <p>Timescale: 30/04/2010</p> |

| Observation | Risks | Recommendation | Management's Response |
|--|---|--|---|
| Recommendation 4 - Refundable Deposit Cheques (One-Off Bookings) Level of Risk - Low | | | |
| <p>A refundable deposit cheque is required for each one-off booking application for Community Centres. This is entered into a receipt book identifying with the name, date, centre, amount, cheque number and a cheque return date.</p> <p>All refundable deposit cheques are placed in a wallet that is held within the receipting book and stored in a lockable safe within the main office.</p> <p>The cheques and the cheque receipting entries records were examined. At the time of review there were 35 cheques held with a value of £3,700.00. The following was identified:</p> <ul style="list-style-type: none"> • A cheque for £200 was recorded as £100 in the book. • In a number of entries, the names in the book do not match the name on the cheque – due to the person making the booking being different to person making the payment. • A cheque for £100 had not been signed. • The recording officer amended a cheque for £75 with no payee name. | <p>Loss /theft of cheques.</p> <p>Inaccurate details of cheques received resulting in lack of an effective audit trail.</p> | <p>Cross reference recommendation 1 (policies and supporting guidelines) and recommendation 3 (periodic management checks).</p> <p>A signature of the officer, or hirer, should be entered in the receipt book to verify the return of refundable deposit cheques.</p> <p>Action: Sarah Dunn – Community Centre Manager</p> | <p>Management Comment: Recommendation agreed, no system currently in place.</p> <p>Planned Corrective Action: Signature column to be added to cheque refund spreadsheet to ensure officer signs as part of the procedure.</p> <p>Timescale: 30/04/2010</p> |

Confidential

| | | | |
|--|--|--|--|
| <ul style="list-style-type: none">• There were 2 cheques entered in the book with no return date but the cheques were not in the safe. The cheques were dated July and November 2007.• It was noted that cheques from end of May 2009 were post dated, whilst the cheques before May were dated with the date of application.• No proof is obtained to verify the return of the cheque (other than the date of return entered in the receipt book. | | | |
|--|--|--|--|

| Observation | Risks | Recommendation | Management's Response |
|--|---|---|---|
| Recommendation 5 - Block Bookings (Community Centres) Level of Risk - Low | | | |
| <p>Publications provide information with respect to the various activities available at each Community Centre, however, no price tariffs are identified.</p> <p>Reminders are issued at the end of each calendar year to invite regular activity organisers to apply for further bookings in the forthcoming year.</p> <p>Completed applications are entered in the outlook diary and onto a spreadsheet.</p> <p>These customers are invoiced monthly, and payment is recorded via the debtor system. Unpaid invoices are followed up via the debt collection procedures.</p> <p>The booking spreadsheet and supporting debtor records were reviewed. The following issues were identified:</p> <ul style="list-style-type: none"> A number of bookings did not correspond to the application. (Bookings had been copied from previous year). | <p>Failure to charge accurately for the hire period.</p> <p>Failure to observe equality when offering discretionary prices and segregating customers.</p> | <p>The process of block booking invoices needs to be reviewed. It is recommended that the following should be considered:</p> <ul style="list-style-type: none"> The spreadsheet should provide an accurate record of all bookings. the hourly rate should agree with the price list. The spreadsheet should be independently verified. Invoices should be in advance rather than arrears. All special rates offered should be authorised. <p>Action: Sarah Dunn – Community Centre Manager</p> | <p>Management Comment: Currently invoicing in arrears. The debtors spreadsheet is not currently verified.</p> <p>Planned Corrective Action:</p> <ul style="list-style-type: none"> To review outstanding creditor information/ correct debtor's info is verified by officer. To ensure all rates offered to customer are current published prices. Any deviations from prices i.e. promotional rates, special circumstances are authorised by Head of Service. Review current pricing policy to potentially abolish business rate. Leisure to consider invoicing in advance. <p>Timescale: 31/01/2010</p> |

Confidential

| | | | |
|---|--|--|--|
| <ul style="list-style-type: none">• Instead of hourly rates, session rates are shown on the spreadsheet. The converted rate for the following activities could not be agreed to the price list: Art Class - £2.75 per hour 74th brownies - £8.93 per hour Circuit Training - £3.80 per hour Child Dance - £4.75 per hour• Lack of authorisation / audit trail to support preferential rates.• The converted hourly rate for WEA Yoga class of £10.30 per hour appears to be previous year's rate.• Hire conditions indicate that payment should be in advance but the invoicing is in arrears of the hire period.• In some cases when payment is not made after the issue of reminders, Leisure Services are informed who also issue another reminder (duplication).• If a block-booking customer applies for a one-off booking, then payment is not collected in advance but invoiced. | | | |
|---|--|--|--|

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 the risk emanating 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 a number of 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 Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit 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 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, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk