

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE  
ISSUED QUARTER 4 2014/15**

**Newbold Comyn Leisure Centre – 10 March 2015**

**1 Introduction**

- 1.1 As part of the 2014/15 Audit Plan an audit has recently been completed on the systems and procedures in place to manage Newbold Comyn Leisure Centre (NCLC).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

**2 Scope and objectives of the audit**

- 2.1 The audit was undertaken to review the operational, management and financial controls in place at NCLC.
- 2.2 The audit was based on a standard establishment audit programme which identifies the controls expected to be in place and then tests for the existence of those controls.
- 2.3 The areas examined were as follows:
- a) Ordering and payments.
  - b) Petty cash.
  - c) Stocks and stores.
  - d) Salaries and wages.
  - e) Income and cash security.
  - f) Facilities and risk management.
  - g) Budget planning and management.

**3 Background**

- 3.1 NCLC was opened in July 1990 and it is the largest of the council's leisure centres.
- 3.2 Several improvements and refurbishments have taken place since that time with the latest being the opening of a new fitness suite last month.

- 3.3 Estimated direct expenditure for 2014/15 is £946,500 with direct income being £888,900. The addition of support services and capital charges gives an overall net expenditure of £474,000.
- 3.4 The centre is currently being managed on an interim basis following the departure of the previous manager and pending the newly appointed manager taking up her duties in April.
- 4 Findings**
- 4.1 In overall terms the audit drew the conclusion that NCLC is reasonably well managed and there are adequate controls in place.
- 4.2 Almost inevitably it was evident that some controls are not always being complied with and that there is on occasion a casual or careless regard for basic, standard procedures.
- 4.3 In respect of the areas listed at 2.3 the findings are as follows:
- 4.4 Ordering and payments**
- 4.4.1 Although the latest budget for direct expenditure at NCLC is £946,500 the vast majority of it relates to employee and building costs. Most purchasing activity is relatively minor.
- 4.4.2 For those purchases above the minor level e.g. chemicals, cleaning materials and items for resale they have been combined across all of the Culture sites under contracts and are ordered accordingly.
- 4.4.3 A sample of purchases made by NCLC was selected for examination and in all cases the proper procedures had been followed.
- 4.5 Petty cash**
- 4.5.1 During the opening meeting to go through the scope of the audit the question of petty cash was raised. The response was the production of a completely empty tin from a desk drawer; there was no money or vouchers and no explanation of the whereabouts of the expected £100 imprest.
- 4.5.2 The use of petty cash is being phased out across the council with appropriate staff being issued with purchase cards and any petty cash floats being repaid. There was no evidence to suggest that the NCLC float had been returned so the balance of £100 is still shown in TOTAL as being live.
- 4.5.3 In order to rectify the position and to avoid an erroneous £100 appearing in the council's balance sheet under "Cash in hand" the money needs to be found from one of the NCLC budgets and repaid.

### ***Risk***

***There will be a misreporting, albeit very minor, of the council's financial position in the balance sheet.***

### ***Recommendations***

***The £100 petty cash imprest should be repaid from one of NCLC's budgets.***

## **4.6 Stocks and stores**

- 4.6.1 A number of swimming-related items e.g. goggles, towels and armbands are sold at reception with the sales being recorded in Flex. The option exists to record purchases in Flex and to produce details of stock levels to check against the physical stock.
- 4.6.2 Surprisingly, given that Flex has been in use for many years, the stock control option was not being used and the reason given was that staff were not familiar with it. Accordingly there are no reliable stock control measures in place.

### ***Risks***

***There are no reliable stock control measures in place.***

***Resale items could be misappropriated.***

### ***Recommendation***

***The stock control option in Flex should be used as intended to enable standard stock control to operate.***

## **4.7 Salaries and wages**

- 4.7.1 The payment of salaries and wages at leisure centres is, and always has been, a complex process. Staff work to a rota system, staff sometimes take on the responsibilities of a supervisor, overtime is worked, tuition is provided thereby attracting an increased rate of pay, etc.
- 4.7.2 The weekly rotas are seen as the key document for evidencing payments but as they are produced in advance there are inevitably numerous changes to them as a result of leave, sickness or other necessary staffing changes. They can be difficult to interpret sometimes as a result of all the alterations and the habit of using only a member of staff's first name or nickname. This has always been the case.
- 4.7.3 If permanent staff complete their standard hours then no forms need to be completed but if they undertake tuition, overtime or additional responsibility then details are recorded on a monthly sheet and signed.

The figures are transferred to a summary sheet which is checked and signed by the manager and authorised centrally before being passed to Payroll.

4.7.4 Casual staff complete a weekly timesheet which is signed by them, checked and signed by a supervisor and then authorised.

4.7.5 Testing was carried out on a sample of additional payments to permanent staff and weekly timesheets and this proved satisfactory.

#### 4.8 **Income and cash security**

4.8.1 All of the casual income at NCLC is collected through Flex, using standard procedures that have remained virtually unchanged for many years. A significant proportion of the centre's income is from the various types of membership and this is collected mainly by Direct Debit and dealt with centrally. Sundry debtor accounts are used to collect the income from swimming clubs and schools.

4.8.2 The income collected through Flex is recorded on daily and weekly returns. Processing the weekly return and monitoring the corresponding bankings takes place in Culture. The task of monitoring income at all council establishments was until fairly recently undertaken in Finance but as a result of staffing resources it was transferred to Culture where it has proved to be slightly problematical, particularly in the case of the Royal Spa Centre.

4.8.3 Processing of the weekly returns is always a few weeks in arrear and the situation is being monitored given the fast approaching year end. The Finance view is that although the situation is not ideal it is not too serious at this stage.

4.8.4 As already mentioned income collection is bound in long-standing, well-established procedures that are often ignored and consequently highlighted in audit reports.

4.8.5 The key document in the end of shift cashing-up routine is a standard cashing-up sheet which records the takings in the till (this is done first) and then records the takings in Flex and any discrepancies. Minor discrepancies are tolerated and anything significant is investigated.

4.8.6 The routine is carried out by the receptionist and a supervisor who then sign the cashing-up sheet as a true record. Having two people involved ensures the reliability and accuracy of the process. An examination of the sheets for January revealed that on 23 occasions there was only one signature on the sheet and on one occasion no signatures. (There were 60 cash-ups in January).

#### ***Risks***

***Standard procedures may be ignored.***

***Cashing-up by one person provides scope for abuse and leaves that person vulnerable in the event of queries.***

***Recommendation***

***Supervisors and receptionists should be instructed to ensure that the end of shift cashing-up routine involves two people and that the cashing up-sheet is signed by both of them.***

- 4.8.7 Customers who pay for a membership package receive a swipe style plastic membership card. Following an investigation in 2011 into the misuse of membership cards additional controls were introduced to help prevent a recurrence. One of the controls was that every time a card is issued or renewed the details i.e. name, number, date and Flex receipt number should be entered on a log sheet. A brief examination of the log sheets for January revealed gaps in the card numbers recorded.

***Risk***

***Cards may not be accounted for.***

***Cards may be issued and used fraudulently.***

***Recommendation***

***All staff responsible for issuing membership cards should be reminded of the importance of entering issue details on the log sheets.***

- 4.8.8 Another control that was introduced was that copies of the log sheets should be forwarded to the Business Support Manager so that he could monitor compliance and carry out any checks he considered appropriate. Copies of the log sheets for all sites have not been forwarded to him for some considerable time.

***Risk***

***No regular monitoring of membership card issue can be performed.***

***Cards may be issued and used fraudulently.***

***Recommendation***

***Managers of all sites should ensure that copies of all completed membership card log sheets are forwarded to the Business Support Manager.***

- 4.8.9 VAT on leisure centre income is dealt with automatically by Flex and the banking process and en bloc for Direct Debit income. Over the years there have been problems with the treatment of VAT when sundry debtor invoices are raised manually and particularly when swimming

clubs have block bookings of the pool.

- 4.8.10 If swimming clubs meet certain HMRC criteria they do not pay VAT on the hire of any facilities i.e. the pool. The same concession applies to all other clubs and their hiring of sports facilities e.g. badminton and football.
- 4.8.11 An examination of the swimming club income at NCLC revealed an inconsistent approach to the treatment of VAT. In some cases VAT was dealt with correctly in that clubs were charged the hourly rate for the hire of the pool with no adjustment whereas in others VAT was deducted incorrectly from the charge.
- 4.8.12 The net result is that just over £2,000 has been allocated to VAT as opposed to the Swim Club income budget. Conversely just over £300 should have been allocated to VAT. Details have been forwarded to Finance with a request to make the necessary adjustments.

### **Risks**

**Mistreatment of VAT can result in a loss of income to leisure centres.**

**A lack of understanding can result in invoices being raised incorrectly.**

### **Recommendation**

**The centre manager should ensure the correct application of VAT to invoices raised manually.**

## **4.9 Facilities and risk management**

- 4.9.1 Security features at NCLC include a CCTV system, an alarm system for when the building is closed and keeping relevant doors locked. Keys and alarm codes are restricted to appropriate staff.
- 4.9.2 At the time of the audit the mechanism of the coded lock on the door to reception was broken which oddly enough improved security. Previous audits and spot checks at NCLC have often found the door to be unlocked. Now it is permanently locked and access is controlled by the release button under the counter in reception.
- 4.9.3 An inventory of all equipment and furniture at NCLC has been supplied to the Insurance and Risk Officer and it is dated 4 June 2014.
- 4.9.4 A signing in and out book for staff and visitors is held in reception. It is largely ignored which might suggest that it is in the wrong location or that staff haven't been told to complete it.

### ***Risks***

***Staff and visitor whereabouts could be unknown in the event of an emergency or an evacuation.***

***Staff do not work their allotted hours if there is no record of arrival and departure.***

### ***Recommendation***

***The centre manager should instruct all staff to complete and sign the signing in and out book and ensure that any visitors do the same.***

- 4.9.5 The risk register for Culture contains several generic risks that apply equally to all services e.g. staffing, power, IT, data, plant, fraud etc. In addition there are a number of specific sports and leisure risks identified.

#### **4.10 Budget planning and management**

- 4.10.1 The scale and impact of the budgets for leisure centres is such that they are subject to fairly close scrutiny under the corporate budget monitoring process. Most aspects of budgetary control are carried out centrally in Culture and not on site.
- 4.10.2 An examination of the budgets for the last two complete years revealed a number of variations, as expected, but the overall situation was very much in line with estimates.

### **5 Conclusion**

- 5.1 The audit identified some areas where control could be improved but overall concluded that systems and procedures in place to manage NCLC are sound.
- 5.2 The audit can therefore give a **MODERATE** level of assurance that the systems and procedures in place are appropriate and working effectively.

### **6 Management Action**

- 6.1 Recommendations to address the issues raised are reproduced in the Action Plan for management response.