

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: St Nicholas' Park
Leisure Centre

TO: Head of Cultural Services

DATE: 1 August 2013

C.C. Chief Executive

Deputy Chief Executive (AJ)

Head of Finance

Sports Facilities Area Manager

Operations Manager

1. Introduction

- 1.1 In accordance with the Audit Plan for 2013/14, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2. Background

- 2.1 A full audit of this facility was last undertaken in 2009, although audits of the cash collection procedures have been undertaken since then.
- 2.2 In terms of the budget, St Nicholas's Park Leisure Centre (SNPLC) is the second largest of the main leisure centres within the District, with an annual (net) budget for 2013/14 of £416,700. Income is mainly derived from the use of the pool (both general use and lessons), use of the sports hall, use of the all weather pitch and the use of the Pyramids gym.

3. Scope And Objectives of the Audit

- 3.1 The audit was undertaken to review the operational, financial and management controls in place at the Centre.
- 3.2 The review was undertaken in accordance with the standard audit programme for outlying establishments, covering the following areas:
- Ordering & payments
 - Petty cash
 - Stocks & stores
 - Salaries & wages
 - Income & cash security
 - Facilities & risk management
 - Budget planning & management

- GP referral scheme.

3.3 The audit programme identifies the expected controls. The control objectives examined were:

- All purchases are valid, bona fide and transacted only with the consent of authorised budget holders
- Goods and services procured are competitively priced, with the procurement processes complying with relevant legislation
- Cash is securely held
- Disbursements from petty cash are appropriate
- Stock held is properly recorded and can be accounted for
- Stock wastage is minimised
- Staff are properly appointed and only paid for time worked
- Customers are aware of the amount they are expected to pay for using the council's services
- All income due can be independently verified thus minimising the risk of misappropriation
- Income received and held on site is secure, with bankings being securely undertaken
- Sundry debts are appropriately raised and received
- Monies due in respect of memberships held are appropriately received
- The site is secure and safe
- Management are aware of valuable items held on site
- Management are aware of the risks associated with the provision of services
- Budgets are effectively managed
- Vouchers are only issued to and used by people that have been appropriately referred by their GP who is a participant in the scheme.

4. Findings

4.1 Ordering & Payments

- 4.1.1 Although the expenditure budget for the centre is just under £1 million, most of it relates to employees, premises costs and capital financing charges. Most purchases undertaken by the centre are for items of a fairly minor and repetitive nature, such as cleaning equipment and items for resale. The TOTAL system is used for ordering and payments as appropriate, although due to the limited number of users of the system at the centre, the authorisation of orders is performed by an Operations Manager from one of the other facilities, or a member of Cultural Services admin staff.
- 4.1.2 A sample of purchases were reviewed which confirmed that sound practices are generally being operated. However, orders raised on TOTAL generally omit the carriage charges that are incurred, and some prices were based on out-of-date catalogues.

Risk

Commitments will be understated in the accounting records leading to potential budget overspends.

Recommendation

All orders placed should be fully and accurately priced as far as possible and include carriage.

- 4.1.3 An extract was taken from the TOTAL system in order to analyse the orders placed against the centre's budget. This extract was interrogated to identify significant expenditure with individual suppliers.
- 4.1.4 Whilst some expenditure related to one-off, high value purchases, there were a few instances where regular, smaller value purchases were being placed with suppliers.
- 4.1.5 Based on discussions with the Operations Manager (OM) and knowledge from previous audits, it was highlighted that these suppliers were being used across all of the leisure centres and, when expenditure across all of the relevant ledger codes was aggregated, it was identified that the certain companies were receiving annual payments of between £10,000 and £20,000 (JAK Water Systems; J P Lennard; and SRS Leisure Swimrite Supplies). Under the Code of Financial Practice, quotations should be received for orders of these amounts.
- 4.1.6 Whilst specific reasons were given as to why this had generally not been undertaken (e.g. belief that certain companies were the only ones able to supply specific products), the need to obtain value for money needs to be taken into consideration.

Risk

Value for money is not achieved.

Recommendation

Procurement options should be reviewed, with appropriate methods being employed, in line with the Code of Financial Practice, to ensure that value for money is being obtained.

4.2 Petty Cash

- 4.2.1 A petty cash float of £100 is held and this is actively used. A review of claims for reimbursement as per TOTAL over the previous financial year confirmed that disbursements made were reasonable and were not for excessive amounts. The OM highlighted that some expenditure from his imprest related to expenditure incurred by Warwick Plant Maintenance.
- 4.2.2 The petty cash held at the time of the audit was checked and a discrepancy of £5.79 was identified. The OM advised that this had built up over time due in part to staff not wanting the odd bits of change.

Risk

Misappropriation of cash is harder to identify.

Recommendation

The next imprest claim should be amended by the amount of the discrepancy identified, to bring the account back into balance.

- 4.2.3 A log sheet is held with the petty cash and, upon review, it was identified that no independent management spot-checks are being performed of the petty cash held.

Risk

Misappropriation of cash goes unnoticed.

Recommendation

Management spot-checks of the petty cash should be undertaken and evidenced on the log sheet held.

4.3 Stocks & Stores

- 4.3.1 A range of swimming and sports related items such as goggles, armbands, shuttlecocks etc. are held for sale in Reception.
- 4.3.2 The Receptionist who deals with the stocks advised that when a delivery of stock items is received, she checks the items against the delivery notes and the corresponding orders placed and then updates the system with the new stock totals. At the time of the audit testing, a delivery was being dealt with and this process was observed, which highlighted that the supplier had duplicated a few order lines from the previous order.
- 4.3.3 She advised that stock checks are undertaken every three to four weeks with the physical stock being checked against the details on Flex, although she indicated that these may be delayed as she only works two days per week. Upon review of the current file maintained at the centre, it was identified that only three checks had been performed during the current calendar year.

Risk

Misappropriation of stock goes unnoticed.

Recommendation

The stated stock check frequencies are adhered to, with substitute staff being nominated in case of the absence of the Receptionist.

- 4.3.4 A spot check of stock held was performed and a number of discrepancies were identified. The Receptionist advised that the number of goggles held did not usually tally, as a number of different types were held and staff occasionally rang through the wrong type, although this would not explain an overall discrepancy.
- 4.3.5 The other main discrepancy related to the number of shuttlecocks held. The Receptionist advised that staff will occasionally lend them to court users and stock checks often highlight minor discrepancies when they are not returned. However, nine were missing from stock during the check performed. The Receptionist indicated that, in these cases, she will inform the OM of the discrepancy and he will advise staff that these are resale items which should not be loaned out.

Risk

Misappropriation of stock goes unnoticed.

Recommendation

Staff should be reminded of the need to take care when ringing through stock sales on the Flex system and that stock items should not be loaned out.

- 4.3.6 In terms of stock levels, the numbers of some items were high, but this was generally explained by the duplicated order lines (as noted above) and the order quantities available for some items (e.g. combs could only be ordered in boxes of 150 units).

4.4 Salaries & Wages

- 4.4.1 The payment of salaries and wages at leisure centres is fairly complex due to the different payments that are made, such as acting-up allowances, overtime, tuition rates, enhancements etc.
- 4.4.2 The rotas, which are regularly amended to show shift swaps etc. are considered to be the main document on which payments will be based as opposed to the signing in sheets which are not always completed by staff, despite regular reminders.
- 4.4.3 If (salaried) staff have worked their standard hours, there will be no forms completed. However, weekly timesheets / claim forms are completed for casual staff and additional payments for salaried staff. These forms will be checked to the rotas and signed off by Supervisors (for casual staff) or the OM (for salaried staff) and the payment will be authorised by the OM (casual staff) or centrally by the Business Support Officer (salaried staff).
- 4.4.4 Testing was performed on samples of payments to both casual and salaried staff to ensure that payments were accurate, based on the claims submitted,

and the forms had been signed off and authorised as appropriate. On the whole this proved satisfactory, with only a few minor discrepancies being highlighted which were largely down to miscoding of payments.

- 4.4.5 One issue was, however, noted with regards to the rate of pay for one employee. A swimming teacher is paid on the Unqualified Teacher pay scale (UQTS), as opposed to the local government pay scales. These UQTS rates had increased in September 2010, but the staff member was still being paid at the 2009 rates.

Risk

Incorrect payments to staff.

Recommendation

The pay scales for the swimming teacher should be reviewed with a decision being made as to whether the amended rate should be implemented and backdated as appropriate.

- 4.4.6 Testing was also undertaken to ensure that staff that had been paid from the centre's budget were actual employees. The details were checked with the OM with some staff being seen on site during the testing.
- 4.4.7 The OM knew that all individuals identified worked for the council, but queried whether two staff members had ever worked at the centre. Following further investigation it was identified that one staff member had worked one shift at the centre, but the other payment had been miscoded.

4.5 Income & Cash Security

- 4.5.1 Most of the income at the Centre is collected through the Flex system using well established procedures. Sundry debtor accounts are raised for club and school bookings.
- 4.5.2 The tills are usually cashed up on a twice daily basis by the Receptionist (or till operator if different) and a Supervisor. The cash in the till is counted and the figure (less the till float) is recorded on a shift sheet. This figure is then entered onto the Flex system which produces a reconciliation report showing how much should have been in the till. The shift sheets and the reconciliation reports should then be signed off by the Receptionist and the Supervisor. The money is then sealed in a banking bag, awaiting collection by G4S and is locked away in the safe.
- 4.5.3 A sample of the shift sheets was reviewed to ensure that the sheets had been signed by two individuals and that any significant discrepancies identified had been investigated. This test proved satisfactory.
- 4.5.4 However, during the review, a number of voids / refunds were identified. In five of the nine cases, receipts had been appropriately signed by a Supervisor. However, in the other cases, the till receipts had not been attached to the shift sheets in two instances and two receipts were found to be unsigned. A recommendation was included in the leisure centre cash check audit that was undertaken in March 2013, but the issue still exists.

Risk

Misappropriation of income via the fraudulent processing of voids / refunds.

Recommendation

Staff should be again reminded of the need to ensure that refunds and voids are processed by supervisors, independently of the staff member who had processed the original transaction, with the receipts being signed off to confirm that this has been performed appropriately.

- 4.5.5 A cash check was performed by Internal Audit during a visit to the centre, with the till reconciliation showing only a fairly minor discrepancy and the main float balancing.
- 4.5.6 Some non-receipted income is received through usage of the hairdryers, pay phones and weighing machines. Coinage in the hairdryers and pay phones is emptied by two staff members who will count the monies and enter the cash onto Flex as 'other income'.
- 4.5.7 The coinage in the weighing machine is counted by a representative from the company that owns them, and WDC are subsequently given a percentage of the takings. However, there is no direct verification of the cash counted from the machine by a member of centre staff, and the operative is trusted to provide the correct amount of commission.

Risk

The council does not receive all income that it is due.

Recommendation

A member of centre staff should be present during the emptying of the weighing machine to verify the cash counted.

- 4.5.8 Debtor invoices are raised by central Cultural Services staff based at Riverside House. A member of staff from the centre will complete a (folio) invoice request form, with a description of the nature of the charge, price, coding and VAT details being recorded.
- 4.5.9 A sample of debtor invoices raised was reviewed to ensure that the invoices had been raised for the correct amounts, with VAT being charged as appropriate and the monies being coded correctly. This highlighted a number of issues with regards to the invoices.
- 4.5.10 Two invoices were incorrect as the wrong fees had been used, as the fees charged related to the previous period. The total 'cost' of these two errors was £28.30.
- 4.5.11 In a number of instances, it was not possible to ascertain whether the correct fee was being charged as the folios did not generally state whether usage of the facilities was in peak / off peak periods, whether it was being used by juniors or how long it was being used for.
- 4.5.12 One folio from the sample had been incorrectly coded. Similarly, a review of the TOTAL extract used for sample selection, highlighted one invoice that

related to the use of Abbey Fields Swimming Pool which had been coded to St Nicholas' Park Leisure Centre.

Risk

Fees due to the Council in respect of leisure centre bookings are not received in full.

Recommendation

Efforts should be made to ensure that folios include an appropriate amount of detail and that all invoices are raised at the correct rates, with particular focus being given when new fee periods come into effect.

- 4.5.13 When new gym membership cards are issued the details, including the card number, the name of the member and the Flex receipt number relating to the payment, are recorded on a log sheet.
- 4.5.14 Upon review of the sheets held, it was confirmed that the sheets were being completed appropriately and legibly and, once completed, were being sent to the Business Support Officer. A small sample was chosen from the latest log sheet with the details entered onto them being checked against the Flex system. This test proved satisfactory.
- 4.5.15 One issue was, however, noted in that the cards were not always being issued in sequential order. It was also noted that for a short period of time, two separate log sheets were being used. The OM advised that sporadic checks of the issuing of cards were being undertaken, although it was acknowledged that these should be undertaken more frequently.

Risk

Management will be unaware of the inappropriate issuing of membership cards.

Recommendation

All membership cards should be issued in sequential order to aid the monitoring of cards stocks, with this monitoring being performed on a regular (weekly) basis.

4.6 Facilities & Risk Management

- 4.6.1 During visits to the site, it was confirmed that the site was generally secure, with office and fire doors being closed. However, during certain visits, fire doors were being opened due to the hot weather.
- 4.6.2 An inventory containing appropriate details of items of significant value was found to be in place and had been updated just prior to the commencement of the audit.
- 4.6.3 A central Cultural Services risk register is maintained and has recently been presented to the Finance & Audit Scrutiny committee as part of their programme of reviews of all service risk registers. This highlights a number of risks that are generic across all of the buildings operated by Cultural Services, including the leisure centres, as well as some more specific 'sports and leisure' risks.

- 4.6.4 The OM advised that a large number of 'local' risk assessments are also performed. Upon review of the shared directory it was confirmed that there was indeed a large number of assessments that had been performed and documented and, whilst there were a few more recent documents, the majority were from 2011. The OM had highlighted prior to the review that he was aware that the last major review was undertaken in 2011 and that they needed to be updated.

4.7 Budget Planning & Management

- 4.7.1 Weekly reports are produced from the Flex system, with income details being entered onto a central internal monitoring spreadsheet for management monitoring against targets set. Upon review, it was confirmed that the figures for the centre were up to date.
- 4.7.2 An extract was also taken from TOTAL of the final budget position for 2012/13 and the current budget for 2013/14 and significant variances were discussed with the OM. Although the OM was able to provide appropriate reasons for those budgets under his control, he did suggest that he had little control over the budgets set against individual subjective codes.

4.8 GP Referral Scheme

- 4.8.1 The Fitness Instructor advised that forms will be received from the one of the registered local GPs, containing contact details for the patient. She will then phone them to arrange their first session.
- 4.8.2 Following the first session, she will accompany the individual to Reception and vouchers will be issued. The first 'card' costs £30 and subsequent ones cost £20 each (maximum of three cards per individual).
- 4.8.3 During the first visit a fitness programme is devised and, upon subsequent visits, the individual is expected to sign in on their programme card.
- 4.8.4 Staff on Reception and in the gym generally know who the cards have been issued to, and the signing in should also stop other people from using the cards that have been issued.
- 4.8.5 A sample of cards issued were checked back to the referral forms and programme cards to ensure that individuals had been appropriately signed up to the scheme. This test proved satisfactory.

5. Summary & Conclusion

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place at St Nicholas' Park Leisure Centre are appropriate and are working effectively.
- 5.2 Issues of a relatively minor nature have been identified regarding:
- order pricing and the need for procurement options to be reviewed
 - a petty cash discrepancy and the need for management checking
 - stock discrepancies, the need for regular stock checks and ensuring that it is sold appropriately
 - the pay rate for one staff member
 - the processing of voids and verification of weighing machine income
 - the need for appropriate and correct details on debtor invoice folios
 - the sequential issuing and management checking of gym membership cards.

6. Management Action

- 6.1 Recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of St Nicholas' Park Leisure Centre – July 2013

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.1.2	All orders placed should be fully and accurately priced as far as possible and include carriage.	Commitments will be understated in the accounting records leading to potential budget overspends.	Low	Operations Manager	Where possible, the cost of carriage will be added to the orders when they are put on to TOTAL.	July 2013
4.1.6	Procurement options should be reviewed, with appropriate methods being employed, in line with the Code of Financial Practice, to ensure that value for money is being obtained.	Value for money is not achieved.	Medium	Sports Facilities Area Manager	The Sports Facilities Area Manager is currently in the process of looking into contracts regarding re-sales. The issue regarding the pool chemicals may require plant to be replaced.	Ongoing
4.2.2	The next imprest claim should be amended by the amount of the discrepancy identified, to bring the account back into balance.	Misappropriation of cash is harder to identify.	Low	Operations Manager	When monies for receipts are returned from Finance the petty cash will be returned to the correct figure of £100.	August 2013

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.2.3	Management spot-checks of the petty cash should be undertaken and evidenced on the log sheet held.	Misappropriation of cash goes unnoticed.	Low	Sports Facilities Area Manager	The Sports Facilities Area Manager to undertake spot checks at various one to one meetings throughout the year.	October 2013
4.3.3	The stated stock check frequencies are adhered to, with substitute staff being nominated in case of the absence of the Receptionist.	Misappropriation of stock goes unnoticed.	Low	Operations Manager	As part of the ongoing work being undertaken with the Supervisors, one of them will be allocated duties to work with the receptionist on resales.	October 2013
4.3.5	Staff should be reminded of the need to take care when ringing through stock sales on the Flex system and that stock items should not be loaned out.	Misappropriation of stock goes unnoticed.	Low	Operations Manager	Staff working on the reception have been emailed to remind them not to loan out stock.	Completed July 2013
4.4.5	The pay scales for the swimming teacher should be reviewed with a decision being made as to whether the amended rate should be implemented and backdated as appropriate.	Incorrect payments to staff.	Low	Sports Facilities Area Manager	The Sports Facilities Area Manager is reviewing Swim Teacher pay grades and will take the appropriate action.	October 2013

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.5.4	Staff should be again reminded of the need to ensure that refunds and voids are processed by supervisors, independently of the staff member who had processed the original transaction, with the receipts being signed off to confirm that this has been performed appropriately.	Misappropriation of income via the fraudulent processing of voids / refunds.	Low	Operations Manager	All reception and supervisor staff have been made aware of the need to have refunds processed and verified by Supervisors.	July 2013
4.5.7	A member of centre staff should be present during the emptying of the weighing machine to verify the cash counted.	The council does not receive all income that it is due.	Low	Operations Manager	Supervisors have been made aware of this and will endeavour, where possible, to be present when the machine is emptied.	On going
4.5.12	Efforts should be made to ensure that folios include an appropriate amount of detail and that all invoices are raised at the correct rates, with particular focus being given when new fee periods come into effect.	Fees due to the Council in respect of leisure centre bookings are not received in full.	Low	Operations Manager	Staff responsible for raising the invoices have been made aware of the need to ensure accuracy on all folios. Errors identified in the audit have now been eradicated.	July 2013

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.5.15	All membership cards should be issued in sequential order to aid the monitoring of cards stocks, with this monitoring being performed on a regular (weekly) basis.	Management will be unaware of the inappropriate issuing of membership cards.	Low	Operations Manager	Reception staff have been informed to issue Get Active cards in sequential order.	July 2013

* Risk Ratings are defined as follows:

- Low - Minimal adverse impact on achievement of the Authority's objectives if not adequately addressed.
- Medium - Moderate adverse impact on achievement of the Authority's objectives if not adequately addressed.
- High - Requires urgent attention with major adverse impact on achievement of Authority's objectives if not adequately addressed.