

**AUDIT REPORT**

Type: SYSTEM

Date: June 2010

Ref: DS2

Auditor: NBH

**SUBJECT: ETWALL LEISURE CENTRE.**

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**Introduction.**

The new Leisure Centre was officially opened to the public in August 2009 and local residents can now participate in a much broader spectrum of health and fitness activities in this purpose built facility. The Centre has pool facilities, sports hall, squash courts, tennis courts and a fully equipped health & fitness suite. This increase in facilities has led to changes in opening hours, operating procedures, staffing levels and administrative responsibilities to service the growing demand for leisure activities in the district. Providing leisure activities together with a quality customer experience is a key function that must be underpinned by sound managerial procedures and controls.

Internal Audit undertook an interim audit review of the procedures and controls once the Centre had been in operation for six months. The purpose of the review was to examine the new cash receipting system, cash handling/ security arrangements and general managerial controls. Visits were made on three occasions to examine and advise on:-

- Introduction of debit/ credit card payment facilities
- Staff training on the new cash receipting & booking system
- Site security
- General audit matters and managerial procedures and controls.

During the course of the review issues were identified and discussed with the Leisure Centre management, administrative staff and other officers of the Authority and actions agreed.

**Observations.****1. Cash Receipting System.**

As part of the development of the new facility a leisure management information system was introduced to deal with bookings, cash receipting and management information. This system, TLMS Advantage (Torex), was provided through XN Leisure Systems Ltd who also undertook the staff training and provides IT support.

During the course of this audit both the Auditor and Revenue Support officer had an opportunity to attend a training session along with the leisure centre staff. The session highlighted areas of operation and control that had been raised by the centre's management and officers of the Council that required explanation. The trainer addressed

all queries on the day and a better understanding of the functionality of the system is now in place.

The session and subsequent discussions with the leisure centre management gave rise to several observations and recommendations. These are:-

- a. **Cashiers** do not currently sign on or off the system. This is not considered to be good practise and a signing on / off procedure should be introduced as soon as possible. The trainer confirmed that the system has this function to allow cashiers to sign on and off the system as necessary.

**Recommendation:**

**All cashiers must sign on and off the system to ensure an adequate audit trail exists for till operation.**

**Agreed action:**

**All cashiers will be instructed to follow a sign on and off procedure when operating tills.**

**Audit follow-up:**

**Leisure centre staff are now following the agreed procedure.**

- a. **Cashing up of the tills** is currently undertaken daily i.e. at close of business each day. This means that the tills are in operation for up to 15 hours without a check of the cash taken until close of business, which means that any errors will not be obvious until then. It is recommended that tills should be balanced and cash banked twice daily i.e. at lunchtime and at close of business. This would also require an additional change float to be available for handover of the till to the next operator.

**Recommendation:**

**Tills should be cashed up twice a day.**

**Agreed Action:**

**Tills will be cashed up twice a day.**

- b. **Cashiers do not have access to the till balance screen** to allow them to periodically balance their takings. Duty Managers have this level of access but do not currently perform spot checks during the day. There are two options either cashiers are given access and asked to periodically check the tills or the Duty Manager should undertake a spot check during the day.

**Audit comment:**

The system is designed and set up with access controls that restrict the cashier from accessing the till balance information. To give each cashier access to this information would also mean giving the same level of system access as a Duty Manager. This needs further consideration and investigation before action, in the meantime the Duty Managers will, on an adhoc basis, check till balances.

- c. **The daily cash takings** are currently left in the tills all day. This presents a security risk and it is recommended that large build-ups of cash should be transferred to the back office safe as they occur. This can be performed at a predetermined level e.g. once the cash amounts to more than say £500 or at intervals during the day.

**Recommendation:**

**Cash should be transferred from the tills to the back office at regular intervals.**

**Agreed Action:**

**Cash will be transferred from the tills to the back office safe at regular intervals.**

**Audit follow-up:**

**Cash is now transferred to the back office safe at regular intervals.**

- d. **Customers can choose to pay by either cash or card for goods and services provided.** Other than a few initial errors the system for card payments is operating as expected and further advice was given to the staff regarding which receipt to retain and which to give to the customer.

**Recommendations:**

**Staff should be reminded of which card reader receipt to retain and which should be given to the customer.**

**The card reader reconciliation slip that is produced overnight should be checked each morning and filed.**

**Agreed Action:**

**Staff will be reminded about giving back the correct card receipt to the customer and the overnight slip will be checked and filed each morning.**

**Audit follow-up:**

**The card payment system is now operating well and the card reader reconciliation slip is cross checked to the bankings every morning and filed.**

- e. **The next phase of card transaction services** i.e. over the phone payments are being considered and the centre management has been advised to visit the Civic

Offices to see how the MOTO system operates and to liaise with IT services for help with the setup.

**Recommendation:**

**The implementation of a facility for over the phone payments should be introduced as soon as possible.**

**Agreed Action:**

**The Centre manager and nominated staff will visit SDDC to liaise with the Revenue Support Office and IT with a view to seeing the system in operation.**

**Audit follow-up:**

**The visit has been made and advice from the Revenue Support office and IT has been taken. IT has recommended that the centre Manager discusses procedure and control issues with Internal Audit before implementation.**

## **2. Security**

The Centre operates with an open reception/ receipting point that is manned at all times. However on occasion the receptionist/ cashier does have to briefly leave the desk to fetch or take documents etc to the office behind reception. Whilst the till can be locked in this instance it does mean it can be left unattended and vulnerable to attack. There is no CCTV security in the reception area and this leaves both the cash till and staff at risk although in the event of an attack staff are aware they should not put themselves between an attacker and the cash.

- a. CCTV and signage was installed at the previous site** and appears to have been omitted from the specification for the new facility. It is recommended that CCTV and the appropriate signage should be installed in the reception area.

**Recommendation:**

**The implementation of CCTV cameras should be actioned as a matter of urgency.**

**Agreed Action:**

**The centre manager will contact the Public Buildings Officer to work out a specification for the camera system and obtain details of recommended suppliers.**

**Audit follow-up:**

**One quote has been received and at least one more will be obtained.**

- b. The safe is not secured** to the wall or floor. In the event of a break-in and theft the overnight takings would not be insured.

**Recommendation:**

**The safe must be bolted to the wall or floor to satisfy our insurer's requirements.**

**Agreed action:**

**The safe will be secured.**

**Audit follow-up:**

**The safe has been bolted to the wall in the back office and now meets the insurer's requirements.**

- c. The building alarm and fire alarm systems are not currently linked to the Alarm Receiving Centre** via the BT Redcare GSM service. Internal Audit understands that there is an issue between the construction contractor and alarm company regarding an outstanding payment. The concern is that the lack of adequate monitoring and early warning affects the building security and insurance. This has been raised with the Centre's Management and is in the hands of the Contractor. Failure to resolve this issue is a significant risk. It is recommended that the Authority should write to our insurers advising them of the issues and also meet with the Contractor to point out the risks and request they resolve the issue urgently.

**Recommendation:**

**The Contractor should be instructed to resolve this issue and confirm that the Redcare monitoring will be operational.**

**Agreed Action:**

**The Contractor will be contacted and instructed to resolve this security issue.**

**Audit follow-up:**

**The Leisure Centre manager has confirmed that Redcare monitoring is now in place. One outcome of the monitoring has been that a problem has been identified with the poolside fire doors resulting in five callouts in the last month. These doors have been disarmed whilst the Contractor is investigating. Whilst the fire doors are disarmed there are still adequate security measures in place with the PIR sensors giving cover in the pool area.**

- d. The centre currently banks its own takings at the local Post Office.** This has been identified as a risk in terms of security of the cash and the safety of staff when transporting up to several thousand pounds in income. The Centre Manager has proposed that a Cash Collection service should be hired to collect, transport and bank income. This has been investigated and costed with a view to having

collections made by Security Plus who currently collect income from the Civic Offices.

**Recommendation:**

**Secure cash collection and banking should be introduced at the Centre.**

**Agreed Action:**

**The Manager will contact SDDC to enquire about inclusion of the Centre in the collection service agreement between SDDC and ESBC.**

**Audit Follow up:**

**The manager has contacted SDDC and ESBC re the cash collection service. Information has been received form ESBC concerning the service agreement and this is currently being considered.**

### **3. Insurance**

**a. Buildings** – According to the draft management agreement responsibility for insuring the building lies with the Governing Body of the school. The insurance is for the full reinstatement value of the facilities with any shortfall borne by the Governing Body.

Information relevant to the buildings insurance was obtained from the school's Finance & Administration officer.

**Audit comment:**

**Copies of the insurance details have been examined and Internal Audit has confirmed that adequate cover exists.**

**b. Contents** – According to the draft management agreement the JMC is responsible for taking out and maintaining insurance for the contents at the Centre. The Chief Accountant is aware of the issues and has asked for an inventory of the contents, particularly gym equipment and catering equipment, in order to update the Councils 'All Risks' policy. To date he has not received an inventory however internal audit has obtained a draft inventory as part of the interim audit and will forward this on once the catering equipment has been added.

**Recommendation:**

**A full inventory should be produced by the Centre and forwarded to Internal Audit and the Authority's insurance officer.**

**Agreed Action:**

**An inventory of building contents and equipment will be produced.**

**Audit Follow up:**

**An inventory has been passed to Internal Audit. Further items need to be included on the inventory and Internal Audit has asked for all catering equipment to be itemised.**

- c. Public Liability** – The draft management agreement states that the JMC shall take out and maintain public liability insurance in the sum of £20M. From discussions with the Chief Accountant he is happy that SDDC has adequate cover for any claims that may arise from the Public's use of the facility. The school's use of the centre should be covered under their own public liability. Examination of the school's policy schedule confirmed that it has current Public Liability insurance in the sum of £30M.

**Audit Comment:**

**Internal Audit is satisfied that adequate Public Liability insurance cover exists.**

- d. Employer's Liability** – Not mentioned in the draft management proposal although it is noted that the JMC is responsible for the recruitment and employment of Centre staff. This initially gave some concerns over the employment status of centre staff as their contracts are issued by the JMC. Terms & Conditions are effectively the same as SDDC and payslips are issued via the SDDC payroll. Further investigation and discussions with the Chief Accountant confirmed that employees at the centre are considered employees of the Council for the purposes of Employers Liability and our insurers are fully aware of these staff and are happy to include them in the policy.

The School has its own Employers Liability in the sum of £25M.

**Audit Comment:**

**Internal Audit is satisfied that adequate Employer's Liability insurance cover exists.**

- e. Business Interruption** – The school has taken out Business Interruption insurance with two endorsements. Firstly there is cover in place for 'Additional Expenditure' in the sum of £2M for a period of 36 months. The second endorsement covers loss of Gross Revenue, again for a period of 36 months in the sum of £45K.

The Authority has Business Interruption insurance for £1M over a 24-month period.

**Audit Comment:**

**Internal Audit is satisfied that adequate Business Interruption insurance cover exists.**

#### 4. Management Agreement.

Management of the Centre is vested in a Joint Management Committee commonly known as the JMC. The JMC dates back to when the old centre was commissioned in 1974 and the interested parties at that time were the John Port School, Derbyshire County Council and South Derbyshire District Council. A Manager is employed to run the daily operations of the Centre with the JMC having overall responsibility for the site and staffing.

Following the completion of the new Centre a revised Management Agreement was drawn up detailing the interested parties to the Agreement with their respective roles and responsibilities. Under the new Agreement only the John Port School and South Derbyshire District Council are the proposed parties to the Agreement with DCC having bought out their funding responsibility some years ago. The revised Agreement was originally drafted in October 2009 by the SDDC Legal Services department and had not been agreed at the time of the audit.

The School's Governing Body drew up a second draft of the Agreement but again this was not agreed. In the meantime the DCC expressed a wish to be included in the Agreement and further discussions between the interested parties are ongoing.

At this point it is understood that the new Centre is operating under the existing 1982 JMC Agreement whilst details of the new Agreement are negotiated.

**Audit comment:**

**Audit is given to understand that a new Agreement is in its third draft and is being considered by the School's Governing Body. In light of the fact that the new Centre has been in operation for almost twelve months a revised Agreement is overdue.**

**Recommendation:**

**A revised Agreement should be adopted by the JMC as soon as possible.**

**Agreed Action:**

**The issue is to be considered by the JMC.**

**Audit follow-up:**

**Audit has discussed the issue of the Management Agreement with Legal Services and the Director of Community Services. The current position is that the School's Governing Body and the County Council are considering the latest revisions to the Agreement. It is hoped that all parties will accept the revised Agreement and it can be implemented as soon as possible.**

#### 5. General.

During the course of the audit other general matters of control were discussed and advice given to the Centre manager and staff on issues including:-

- Keeping of registers in class sessions.



- Non-attendees at sessions and how to monitor non-payers.
- Issues re fast track system for gym/ leisure centre members.
- Administration of invoicing.

**Audit Comment:**

During the course of the audit it became apparent that no procedures existed for an IT failure concerning the tills or booking system. The Centre has a fully computerised cash receipting and booking system which carries a risk to business continuity in the event of an IT failure. This was discussed with the Manager and a procedure was agreed whereby manual receipts are given for items or bookings over £10 and a small numbered ticket is given for all items and bookings under £10. The manager is also looking at re introducing the manual booking sheets in an emergency.

**Recommendation:**

A manual system for cash receipting and bookings should be adopted to cover failure of the IT systems.

**Agreed Action:**

A manual system will be developed in conjunction with Internal Audit to ensure business continuity and adequate control.

**Audit Follow up:**

Internal Audit has given advice on the most suitable method of manual cash receipting and is working with the Centre manager to ensure whatever system is adopted it will work and has adequate controls in place.

**Conclusion.**

During the course of the audit it was apparent there were some issues concerning financial control procedures. In some areas the control procedures had not been transferred into the managerial and operational functions at the new Centre, whilst in other cases the existing controls required revision. Due to the expansion of the site, increase in the leisure facilities, introduction of IT systems and number of staff employed it was obvious that improvements were needed in some operational and financial controls. Audit has worked closely with and acknowledges the contributions made by the Centre's staff, Revenue Support Officer and Accountancy to resolve issues identified prior to and during this audit. A number of recommendations were made and the majority of these were implemented during the course of the audit.

**Audit Manager**

**Summary of recommendations.****1. Cash receipting system.**

- **Recommendation:**

All cashiers must sign on and off the system to ensure an adequate audit trail exists for till operation. **(LOW) AGREED & ACTIONED.**

- **Recommendation:**

Tills should be cashed up twice a day. **(LOW) AGREED & ACTIONED.**

- **Recommendation:**

Cash should be transferred from the tills to the back office at regular intervals. **(LOW) AGREED & ACTIONED.**

- **Recommendation:**

Staff should be reminded of which card reader receipt to retain and which should be given to the customer. **(LOW) AGREED & ACTIONED.**

- **Recommendation:**

The card reader reconciliation slip that is produced overnight should be checked each morning and filed. **(LOW) AGREED & ACTIONED.**

- **Recommendation:**

The implementation of a facility for over the phone payments should be introduced as soon as possible. **(LOW) AGREED – to be actioned**

## 2. Security

- **Recommendation:**

The implementation of CCTV cameras should be actioned as a matter of urgency. **(MEDIUM) AGREED – quotes currently being obtained.**

- **Recommendation:**

The safe must be secured to the wall or floor to satisfy our insurer's requirements. **(MEDIUM) AGREED & ACTIONED.**

- **Recommendation:**

The Contractor should be instructed to resolve this issue and confirm that the Redcare monitoring will be operational. **(MEDIUM) AGREED & ACTIONED.**

- **Recommendation:**

Secure cash collection and banking should be introduced at the Centre. **(LOW) AGREED – currently examining the existing agreement between SDDC and ESBC with a view to inclusion of the Centre.**

## 3. Insurance.

- **Recommendation:**

A full inventory should be produced by the Centre and forwarded to Internal Audit and the Authority's insurance officer. **(LOW) AGREED – further work needed on the inventory to include catering equipment and complete some item values.**

## 4. Management Agreement.

- **Recommendation:**

A revised Agreement should be adopted by the JMC as soon as possible. **(LOW) AGREED – Negotiation on this issue between the interested parties is ongoing.**

## 5. General

- **Recommendation:**

A manual system for cash receipting and bookings should be adopted to cover failure of the IT systems. **(LOW) AGREED – Internal Audit working with the manager to find best solution.**