

TEESDALE DISTRICT COUNCIL

INTERNAL AUDIT SERVICE

Sports Centre

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Reviewed by	Avril Wallage, Audit Manager Durham County Council
Date issued	May 2008
Assurance Opinion	SUBSTANTIAL

1. INTRODUCTION

1.1. In accordance with the Council's annual audit plan for 2008/9 an audit has been carried out of the Sports Centre carried over from 2007/8.

1.2. The audit was undertaken during May 2008.

1.3. The review involved a number of interviews with officers and testing of expected controls. The time and assistance afforded by these officers was greatly appreciated.

2. OBJECTIVES

2.1. The overall objective of the review is to provide a risk based assessment of the systems in place in order to form an opinion as to whether they are robust and provide an adequate basis for effective control.

3. STATEMENT OF RESPONSIBILITY

3.1. It should be noted that the establishment of adequate control systems is the responsibility of management and that an internal audit review is conducted on a test basis. Therefore, while the implementation of internal audit recommendations can reduce risk, and may lead to the strengthening of these systems of control, responsibility for the management of these risks remains with the service manager.

4. SCOPE

4.1. The review undertaken by Internal Audit forms part of the overall assurance process now required by the Chief Executive and the Leader for inclusion within the Annual Governance Statement which is part of the Authority's Statement of Accounts.

4.2. The following system areas were examined during this review:

- Cash and bank
- Membership, booking and admission fees
- Asset Management

4.3. The report is intended to present to management the findings and conclusions of the audit. Wherever possible the findings and recommendations have been discussed with members of staff and their views taken into account.

5. EXECUTIVE SUMMARY

- 5.1. Our review of arrangements identified a number of areas of good practice and sound management control from which positive assurance can be taken.
- 5.2. A number of areas were identified where improvements in controls are necessary to provide further assurance.
- 5.3. Details of all areas that require improvement were discussed with the key contact at the closure of the audit. Recommendations have been made to address these findings. These are rated High, Medium or Low according to their level of priority.
- 5.4. Details of areas requiring improvement, the potential associated risk and the resultant recommendation are included in the Action Plan attached at Section 7.

6. AUDIT ASSURNACE OPINION

- 6.1. Internal Audit has adopted the following scale of assurance that can be given to indicate the effectiveness of the control environment and the likelihood of control objectives being met for the area under review.

Level of Assurance	Definition
Full Assurance	There is a sound system of controls in place & those controls are consistently applied & are fully effective. Control objectives are fully met.
Substantial Assurance	There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved.
Moderate Assurance	There is basically a sound system of control in place, but there are weaknesses and evidence of non-compliance with or ineffective controls. Control objectives are often achieved.
Limited Assurance	The system of control is weak & there is evidence of non-compliance with controls that do exist. Control objectives are sometimes achieved.
No Assurance	There is no system of control in place and control objectives are rarely or never achieved.

- 6.2. The significance of the control weakness identified in this review enables us to give a **substantial** assurance opinion

7. ACTION PLAN

7.1. Our findings together with the associated risks and resultant recommendations are summarised below.

Ref	Finding	Risk	Recommendation	Ranking	Responsibility	Response	Implementation
R1	There was no reconciliation of cash collected to the GL system.	Monitoring of any cash variances, income budgets and bank reconciliation processes are hindered. Potential irregularities may not be identified.	Procedure notes be produced and agreed between Sports Centre and Corporate Finance.	Medium	Senior Admin Officer	Agreed	31/12/2008
	This function is now carried out, however there is still a lack of clarity regarding procedures and requests for assistance for Corporate Finance have not been fully addressed.		Ensure procedures once created are followed, with all variances being recorded in the GL and monthly reconciliations being carried out.	Medium	Senior Admin Officer	Agreed. Monthly reconciliations are completed but awaiting response & clarification of process implemented to confirm if process implemented is correct and meets requirements of both Corporate Finance and Leisure Centre.	31/12/2008
			The administration officers receive as sufficient training as deemed necessary and any outstanding queries be answered.	Low	Corporate Finance/Senior Admin Officer.		31/10/2008
R2	Cash is collected for banking in accordance with the Council cash collection contract. Where normal collection days occur on bank holidays, special arrangements should be made for alternative collections. This did not always happen. Amounts held in	Reduced cash flow. Safe limits and insurance limits may be breached. Cash collection contractor may not fulfil his contractual obligations	The cash collection contractor should be given advance written notification of any changes in scheduled collections. Wherever possible a collection time as well as day should be agreed. The contractor should be advised as soon as possible if they fail to collect at the agreed time. Responsibility for this should lie with the Admin Officers ensuring collections are prompt, regular and as agreed.	Low	Corporate Finance/Senior Admin Officer.	Agreed Contract Monitor to co-ordinate bank holidays. All other changes to regular collections to be actioned by the Leisure Centre. Any changes will also be notified to the Contract Monitor.	On-going

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	<p>the safe are monitored and if the insurance level is expected to be broken, an assessment is made as to whether the cash should be banked.</p> <p>The Leisure and Culture Manager requests clarity be given regarding the contractor's obligations.</p>		<p>Cash held in between regular collection days should be monitored and if necessary additional collections arranged.</p> <p>A copy of the cash collection contract is obtained and held at the Sports Centre.</p>	<p>Low</p> <p>Low</p>	<p>Senior Admin Officer</p> <p>Corporate Finance/Senior Admin Officer</p>	<p>Agreed To be included in the banking procedure. A report will run on income received.</p> <p>Agreed. Copy to be obtained from Contract Monitor</p>	<p>31 October 2008</p> <p>31 October 2008</p>
R3	<p>Whilst cash is prepared for collection in a private office, the room in which this is done is not always locked due to the office being used by multiple personnel. The door is in direct line of sight of the reception area.</p> <p>While the location will be out of sight in the near future once the office extension is complete, the office will still be unlocked as it is used by others. Other locations are less viable as the safe is in the main</p>	<p>Risk of injury to staff responsible for cash handling and theft by opportunist thief.</p> <p>Financial loss.</p>	<p>Ensure that access to the room where cash is being counted is restricted and the door closed wherever possible.</p>	<p>Medium</p>	<p>Leisure & Culture Manager</p>	<p>Agreed</p>	<p>23/08/08</p>

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	office and would introduce risks associated with transporting cash which are greater than the current risk.						
R4	Member application forms are stored unsecured on a shelf in reception.	Data Protection Act breached and Council potentially exposed to prosecution.	Application forms to be kept in a secure location with restricted access.	Medium	Leisure & Culture Manager	Agreed	23/08/08
R5	No records are maintained for equipment hire. Whilst it is acknowledged that the value of equipment is low certain items do require a deposit as well as the hire charge. Equipment is not marked to show that it is the property Teesdale Council	Potential loss of equipment that is not likely to be recovered.	Consider a sign out procedure for hire equipment to monitor returns. Mark equipment as property of TDC where possible. Implement a weekly count, ensure this is recorded and signed once complete.	Low Low	Head Receptionist Admin Officer Admin Officer	Agreed Form to be completed. Agreed. Agreed. To be included as part of a weekly stock check. Current equipment on sale to be reviewed.	31/03/09 31/10/2008 31/03/09
R6	The Councils financial regulations require all items of equipment over £500 to be recorded in a register. An inventory was maintained by	Inadequate records to support potential insurance claims and failure to be able to account for Council assets.	Ensure inventories are up to date and Council Financial regulations in relation to accounting for the acquisition and disposal of assets are adhered to. Ensure that the new machines are immediately documented when possible.	Medium	Leisure & Culture Manager/Admin Asst	Agreed.	28/02/2009

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	<p>Jades gym but this was considered to be incomplete. The equipment not documented is however due to be replaced in the next month. Off site stroke rehab equipment is maintained in an inventory.</p> <p>There are valuable items of stage equipment which are now held in the sports centre since the departure of the Arts Development Officer and currently undocumented. These are in storage only.</p>						
R7	Cash collected from the sweets machine and telephone coin box is not witnessed.	Misappropriation of cash.	Wherever possible coin operated machines should be emptied in the presence of a witness. Both employees should sign to confirm amounts collected.	Low	Sports Assistant/Duty Officer	Agreed. To be undertaken weekly	30/09/2008

KEY TO RECOMMENDATION RANKING

HIGH PRIORITY

A fundamental control issue that is material or represents a major risk to the Council's system of internal control. This requires immediate action by management.

MEDIUM PRIORITY

A significant control issue or risk that should be addressed by management within an agreed period.

LOW PRIORITY

A control issue that if corrected will enhance the control environment or promote value for money.