

Causeway Coast and Glens Borough Council

Internal Audit Report Joey Dunlop Leisure Centre – Cash Handling

July 2018
Final

MOORE STEPHENS

INTERNAL AUDIT REPORT

Joey Dunlop Leisure Centre - Cash Handling

Executive Summary

This report summarises the findings arising from a review of Animal Welfare which was allocated 4 days.

There were priority 2 recommendations from our audit:

- Management should review the need to keep more than 1 day's takings at the Leisure Centre when compiling a lodgement; restrict access to the main safe and keep each day's takings in separate bags in the main safe. (Coins removed from a day's takings can be stored in the small safe, noted in the day's takings bag and recorded on any reconciliation needed for subsequent lodgement.)
- The cash handling procedures do not currently stipulate that lodgements should be prepared by 2 staff members; however, this is an important control when dealing with takings. Cash handling procedures should be updated to clearly specify that 2 people should be involved in the counting and preparation of lodgements; and they should sign and countersign all lodgement records.

The table below summarises the key risks reviewed:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be insufficient controls in place in relation to the receipt of income at point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors	-	-	2
There may be inadequate controls over the recording and reconciliation of cash leading to incorrect accounting treatments and loss of income to the Council	-	-	2
There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council	-	2	-
There may be inadequate controls over the security and operation of petty cash leading to potential theft or misappropriation and loss of income of the Council	-	-	-
There are inadequate arrangements in place in relation	-	-	1

Risk	Number of recommendations & Priority rating		
	1	2	3
to vending stock control leading to potential stock outs and/or excess stock, inaccurate stock records, inappropriate usage or misappropriation of stock			
Total recommendations made	0	2	5

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory	Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.
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	July 2108

Audit progress	Date
Audit commenced	March 2018
Draft Report issued to senior management for response	17 th July 2018
Responses Received	23 rd August 2018
Responses Agreed	24 th August 2018
Report Issued	5 th September 2018

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council’s internal control system.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks facing cash handling at the Leisure Centre and a review the key systems and controls in place to address these. The objective being to ensure that:

- There are adequate arrangements in place to ensure Council fulfils its statutory duties for cash handling at the Joey Dunlop Leisure Centre

2 Background

The Joey Dunlop Leisure Centre is a modern leisure centre situated on the Garryduff Road in Ballymoney. As of April 2015, the Leisure Centre has been owned and managed by Causeway Coast & Glens Borough Council.

The facilities at the Leisure Centre consist of:

- Health Suite,
- 2 Swimming Pools,
- Spa Pool,
- Soft Play Centre,
- Fitness Studio with the latest pulse fitness equipment,
- Cardio Theatre including 48" television screens,
- Dance Studio,
- Sauna and Steam Room.
- Conference areas are also available for hire
- Catering can be arranged on request
- Birthday parties can also be held at the Leisure Centre and a number of packages are available, depending on the facilities to be used e.g. the soft play area, swimming pool.

3 Risks

The risks identified by Internal Audit relating to animal welfare and agreed with management are as follows:

1. There may be insufficient controls in place in relation to the receipt of income at point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors
2. There may be inadequate controls over the recording and reconciliation of cash leading to incorrect accounting treatments and loss of income to the Council
3. There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council

4. There may be inadequate controls over the security and operation of petty cash leading to potential theft or misappropriation and loss of income of the Council
5. There are inadequate arrangements in place in relation to vending stock control leading to potential stock outs and/or excess stock, inaccurate stock records, inappropriate usage or misappropriation of stock

4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Leisure Centre Manager
Business Support Manager (BSM)
Business Support Officer (BSO)
Duty Officers (DO)
Administration Assistants

5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

5.1 Risk 1 – Income at Point of Sale

ISSUE 1 – Policies and Procedures

a) Observation-

Documented procedures are in place for Cash Handling and Vending Machine Operation, but they are out of date and need to be reviewed and updated to reflect current processes and controls. It was also noted that procedures do not define a significant variance level for till discrepancies to prompt further

<p>investigation by the BSM; nor do they refer to processing cash received by post; nor does the procedure stipulate that lodgements are to be prepared by two staff members. (see also Issue 6)</p>
<p>b) Implication- If documented procedures are not up to date, there is a risk that controls may not all be followed and errors may occur when handling cash; especially by temporary or new staff who do not have up to date procedures as a reference.</p>
<p>c) Priority Rating- 3</p>
<p>d) Recommendation- The procedures for handling cash and relating to vending machine stock should be updated as soon as possible. For cash handling include a defined value of till discrepancies at which the BSM must investigate. Also include a process for dealing with cash received by post. (Audit acknowledged that cash is rarely received via the post; but when updating the procedures, the opportunity to include this should be considered). The procedures should also stipulate that 2 people should be involved in the preparation/checking of all lodgements (see also Issue 6). All new or temporary staff involved in handling cash should be provided with up to date procedures and should sign a declaration to say they have received them.</p>
<p>e) Management Response- It is clear that a review of all operational procedures in relation to the receipt of cash to the lodgement of cash needs updated. To that end procedures for handling cash and vending stock will be updated asap. All of the recommendations identified in the above will be included.</p>
<p>f) Responsible Officer & Implementation Date- Stacy McClarty - October 2018</p>

ISSUE 2 – Vending Machine Cash Collection and Recording

<p>a) Observation- Income from vending machines is collected once per week (usually on a Sunday and is recorded through the till. The cash handling procedure states that more than 1 person should collect any cash takings not paid at reception. Testing of 5 vending sheets used to record the cash from the vending machines noted that all of the sheets had been countersigned with 1 exception. It was also noted that for 1 of the sheets the 2-staff had not signed each individual machine listed (for 3 out of 6 machines).</p>
<p>b) Implication- If all countersignatures are not in place to verify 2 staff are involved there is a risk that controls are not effectively evidenced.</p>
<p>c) Priority Rating- 3</p>

d) Recommendation-	Evidence of compliance with the requirement for 2 persons being involved in collecting vending machine cash should also be recorded by both staff signing relevant supporting documentation. Consider redesigning the sheet recording vending machine cash to require both persons to only sign once e.g. a declaration at the bottom of the sheet (listing the vending machines) that they were both present at the collection of vending machine cash on a particular date.
e) Management Response-	As an interim measure the vending record sheet will be redesigned to include the requirement for signage by both parties, a declaration will also be added. Given the concerns raised re vending in general, Management will consider possible alternative operating arrangements for the Centre's Vending Machines.
f) Responsible Officer & Implementation Date-	Brian Tohill October 2018

5.2 Risk 2 – Control over Recording of Cash

ISSUE 3 – Completion of Cash Sheets	
a) Observation-	Audit testing revealed that there were appropriately completed cash sheets in place. It was however noted that the Daily Payment Summary Sheet (DPM 09-03), is not signed by the BSO, the person who is responsible to complete this form.
b) Implication-	If all signatures are not in place to verify the BSO has completed the Daily Cash Sheet there is a risk that segregation of duty controls are not effectively evidenced.
c) Priority Rating-	3
d) Recommendation-	The BSO should sign the Daily Payment Summary to verify who has entered the and checked the information recorded there.
e) Management Response-	The Daily Payment Summary will be signed off by the BSO on duty.
f) Responsible Officer & Implementation Date-	Stacy McClarty September 2018

ISSUE 4 – Surprise Cash Counts	
a) Observation-	Audit was advised that surprise cash counts do take place but that due to time pressure on staff this is not recorded.

b) Implication- If surprise cash counts are not recorded there is a risk of weakness in cash control leading to loss of income.
c) Priority Rating- 3
d) Recommendation- Regular spots checks should be carried out on tills to ensure cash is correct and this should be recorded and the results retained for audit purposes.
e) Management Response- Management will include 'surprise cash counts' when implementing the updated cash handling procedures.
f) Responsible Officer & Implementation Date- Stacy McClarty – October 2018

5.3 Risk 3 – Security of Cash

ISSUE 5 – Monies held securely

a) Observation- <p>Takings are put straight into the main safe in a locked room. The BSM retains the key for this safe but in her absence, the key is stored in a smaller safe, used to securely store a change float, that DOs can access. Audit was advised that this is to allow DOs to obtain additional change from the large safe should the need arise when the BSM is not on duty.</p> <p>Audit testing revealed that individual day's takings are not bagged separately (per day) in the safe. Audit testing revealed that there is a policy of holding back between 1-4 days takings (an average of 2.1 days for the period tested) at the Leisure Centre when a lodgement is being put together. Audit was advised that this was to ensure that sufficient coinage was available for change (public requests for coins for vending machines etc.). Some of this will be stored in the small safe in case there is a need for additional coin change.</p> <p>Audit testing identified 1 occasion during the 2-month period reviewed when the insurance limit for the safe was exceeded.</p>
b) Implication- If monies are retained in the safe for longer than necessary and a number of persons can access that safe, there is an increased risk of nullifying insurance cover and the possibility of theft or loss of income. If daily takings are not stored in separate bags there is an increased risk of errors when compiling lodgements.
c) Priority Rating- 2

<p>d) Recommendation- Management should review the need to keep more than 1 day's takings at the Leisure Centre when compiling a lodgement; restrict access to the main safe and keep each day's takings in separate bags in the main safe. (Coins removed from a day's takings can be stored in the small safe, noted in the day's takings bag and recorded on any reconciliation needed for subsequent lodgement.)</p>
<p>e) Management Response- Management will update both the lodgement procedure and the 'change' procedure to ensure the above recommendations are addressed.</p>
<p>f) Responsible Officer & Implementation Date- Stacy McClarty – October 2018</p>

ISSUE 6 – Lodgement Summary Sheets

<p>a) Observation- As referred to Issue 1 the cash handling procedures do not currently stipulate that lodgements should be prepared by 2 staff members; however, this is an important control when dealing with takings. During testing of 14 lodgements audit noted that lodgement sheets are not signed by the person who completes it (normally the BSO) nor countersigned by the BSM.</p>
<p>b) Implication- Inadequate controls over the compilation of lodgements increases the risk of potential error or misappropriation and loss of income to the Council.</p>
<p>c) Priority Rating- 2</p>
<p>d) Recommendation- As noted in Issue 1 cash handling procedures should clearly specify that 2 people should be involved in the counting and preparation lodgements; and they should sign and countersign all lodgement records.</p>
<p>e) Management Response- Management will be updating cash handling procedures to ensure that the above recommendations are addressed</p>
<p>f) Responsible Officer & Implementation Date- Stacy McClarty – October 2018</p>

5.4 Risk 4 – Petty Cash

We have no findings or recommendations to make against this risk area.

5.5 Risk 5 – Vending Stock

ISSUE 7 – Vending Machine Stock

a) Observation-

The following was noted in relation to vending machine stock:

- Audit observed that vending machine stock is retained in a locked store room
- Audit reviewed a sheet recording stock in and out of the store; but it does not provide detail of the numbers of each item that should be in stock at any given time
- Audit was advised that the vending machines are quite old which means it is not cost effective to get the necessary repairs to allow readings of stocks, sales or takings to be produced by the machines

b) Implication-

Inadequate arrangements in relation to vending stock control may lead to inaccurate stock records, inappropriate usage or misappropriation of stock, or lack of value for money for Council

c) Priority Rating-

3

d) Recommendation-

Management should review the continuing operation of the vending machines and consider if there are more cost-effective and less time-consuming options e.g. outsourced fully managed vending machines.

Council should also consider the approach taken in other Leisure Centre across the Borough and determine if a standardised approach could result in economies of scale savings and resource efficiencies.

e) Management Response-

Management will consider the value in continuing to operate the Vending within the Centre.

f) Responsible Officer & Implementation Date-

Brian Tohill January 2019

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Summary of Key Controls Reviewed

Budgetary Control

Risk	Key Controls
<p>There may be insufficient controls in place in relation to the receipt of income at point of sale leading to an increased risk of loss of income to the Council due to misappropriation or errors</p>	<ul style="list-style-type: none"> • Cash handling procedures are in place to provide guidance to staff collecting payments • Adequate training is provided to staff who handle cash • Only designated staff can use tills (username and passwords used) • A separate float is held for each till which is counted and verified before each shift • Till reconciliation is performed at the end of each shift • Receipts are produced and issued for every transaction • All till discrepancies are fully investigated and records maintained • Where possible more than one employee collects any cash takings which are not paid at reception e.g. vending/ hairdryer/ lockers/catering etc. • Such cash income (from vending machines, etc.) is appropriately recorded through the till system in a timely manner • Cash received by post is promptly recorded and receipted. • Tills are restricted to one cashier/user or have individual user logins where operated by more than one staff member • Reserve/ foreign exchange floats are securely held and regularly checked.
<p>There may be inadequate controls over the recording and reconciliation of cash leading to incorrect accounting treatments and loss of income to the Council</p>	<ul style="list-style-type: none"> • End of day till reports are generated and reconciled to cash in till - Z readings agreed to takings • All voids/ cancelled till transactions are supported by appropriate documentation • Separation of duties exists between staff responsible for income collection and staff with responsibility for reconciling income received to the bank. • There is adequate completion of daily/ weekly cash sales sheets • There is adequate Manager/ Supervisor oversight over the reconciliation process and evidence of this • Surprise cash counts are performed periodically
<p>There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council</p>	<ul style="list-style-type: none"> • Monies are held securely in a safe which is in an appropriate location • There are adequate access control arrangements to the safe • Where a large build-up of cash occurs, takings are removed from the till and held securely in the safe • There is adequate security over cash deposits held before being returned to customers (caravans) • Lodgements are prepared by two staff members • Lodgements are made regularly and promptly • Adequate insurance is in place to cover cash held on the premises until lodged and cash held does not exceed the amount insured
<p>There may be inadequate controls over the security and operation of petty cash leading to potential theft or</p>	<ul style="list-style-type: none"> • There are clear policies and procedures covering petty cash • When the petty cash float is not in use it is kept in a secure location

Risk	Key Controls
misappropriation and loss of income of the Council	<ul style="list-style-type: none"> • The petty cash float is reconciled regularly and the reconciliation is completed by someone other than the person in charge of the float • Petty cash is only issued on presentation of authorisation and evidence of the expenditure incurred
There are inadequate arrangements in place in relation to vending stock control leading to potential stock outs and/or excess stock, inaccurate stock records, inappropriate usage or misappropriation of stock	<ul style="list-style-type: none"> • A stock control system is in place for goods for re-sale which is integrated with the till MIS system. Manual stock records are maintained for all other stock • Stock checks are carried out on a regular basis and discrepancies noted and investigated. • Vending stock for re-sale is held securely. • Appropriate mark-ups have been applied for vending stock items • Vending sales and stock reports are retained to ensure sufficient financial information is available to monitor financial results.