

Causeway Coast and Glens Borough Council

Internal Audit Report Ballyreagh Golf Club

May 2022



INTERNAL AUDIT REPORT

Ballyreagh Golf Club

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2021/22. This report summarises the findings arising from a review of Ballyreagh Golf Club – licence agreement and income.

A number of areas have been highlighted in this report where controls could be enhanced. The following table summarises the total number of findings and recommendations from our audit (all recommendations have been accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be a lack of clarity as to the obligations of the licensee and the Council in relation to Ballyreagh Golf Course leading to services not being delivered according to Council's objectives or in a manner which is not economic for Council	-	1	1
There may be insufficient controls in place in relation to the receipt and recording of Golf Course income leading to an increased risk of loss of income to the Council due to misappropriation or errors	-	1	1
Total recommendations made	0	2	2

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.

The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those which have come to our attention during normal audit work and are not necessarily all the weaknesses, which may exist.

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Auditor:	Catriona McHugh
Distribution:	Audit Committee Chief Executive Director of Leisure & Development Audit Risk and Governance Officer
	May 2022

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. The scope of this audit is to review the arrangements in place within the Council in relation to risk management, focusing on the main risks associated with:

- The licence agreement.
- Management of Income

The audit objectives were to ensure that:

- the operation of Ballyreagh Golf Course is carried out in line with an appropriate agreement which continues to meet Council's objectives
- the income activities at Ballyreagh are accurately and completely recorded and accounted for.

2 Background

Council owns a golf course at Ballyreagh which is operated under a licence agreement by an independent golf professional. This agreement has been in place since 1981 with the golf professional receiving a retainer and a percentage of green fees collected.

The facilities at Ballyreagh consist of a clubhouse and approximately 34 acres comprising a 9-hole par 3 golf course, a 9-hole pitch and putt course and a putting green and Council pays all maintenance and upkeep costs for the course, associated facilities and buildings.

The scope of this audit is to review the arrangements in place within the Council in relation to the management of Ballyreagh Golf Course, focusing on the main risks associated with:

- Compliance with terms and conditions of licence agreement
- Completeness and accuracy of income recorded

3 Risks

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

1. There may be a lack of clarity as to the obligations of the licensee and the Council in relation to Ballyreagh Golf Course leading to services not being delivered according to Council's objectives or in a manner which is not economic for Council
2. There may be insufficient controls in place in relation to the receipt and recording of Golf Course income leading to an increased risk of loss of income to the Council due to misappropriation or errors

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
Director of Leisure and Development
Head of Leisure
Business Support & Administration Assistant (Leisure & Development)
Senior Finance Officer (Accounts Receivable)
Licensee at Ballyreagh Golf Club

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 – Licence Agreement

ISSUE 1 – Licence Agreement – Party Responsibilities

a) Observation-

A licence agreement has been in place since 1981 (originally with the legacy Coleraine Council). The licensee is a self-employed golf professional who receives an annual retainer and is entitled to retain income from tuition fees, catering, hire, sale & repair of equipment. The Council income arises from green fees.

The only element of the licence agreement which has been updated since 1981 is the amount of the annual retainer payable to the licensee. This has been reviewed and increased on a number of occasions over the years. Although the licence agreement makes a provision for review of the agreement the other conditions of the agreement have not been reviewed or updated.

<p>The licence agreement makes it clear that the Council is responsible for maintenance. The licence agreement makes no reference to responsibilities for payment of utilities and rates; however, Council does cover these costs. (The licensee pays for broadband). During an Audit visit for field testing, Audit observed that the building needs some repair, with cracks in one corner of the shop ceiling and what appears to be damp and mould on the wall below.</p> <p>In the past the licensee provided limited catering facilities on site; however these are no longer fit for purpose and food and hot drinks are no longer prepared or offered on site.</p>
<p>b) Implication- In the absence of clarity within the agreement over all running costs and responsibilities there is a risk to services not being delivered according to Council's objectives or in a manner which is not economic for Council.</p>
<p>c) Priority Rating- 2</p>
<p>d) Recommendation- The licence agreement (or a separate signed agreement) should include details of who is responsible for all running costs and business expenses.</p>
<p>e) Management Response- Officers will engage with Land & Property personnel to consider a review of the existing licence agreement and how best to proceed, including engagement with the licensee.</p>
<p>f) Responsible Officer & Implementation Date- Head of Sport & Wellbeing. July – September 2022</p>

ISSUE 2 – Monitoring & Update of Licence Agreement

<p>a) Observation- As mentioned in Issue 1 the only update to the agreement since it was signed in 1981 has been in relation to the amount of the annual retainer payable to the licensee. There has been no discussion between the licensee and the Council or detailed consideration of changes which have occurred (e.g. the cessation of catering). As mentioned in Issue 1 the building at the Golf Club needs some repair. The Golf Club is in a prime location and Golf is a very popular pastime.</p> <p>There has been no consideration of succession planning (the licensee is approaching retirement age).</p>
<p>b) Implication- In the absence of an annual review of the licence agreement, which involves a detailed discussion of the golf club's future between the licensee and a senior member of Council's management team there is a risk that the club is not being run in line with Council's objectives or the opportunities of owning this asset are not being maximised.</p>

c) Priority Rating- 2
d) Recommendation- Council should review the licence agreement with the licensee and discuss possibilities for the future of the asset, and a possible exit strategy with the licensee for when he wishes to retire.
e) Management Response- As per Risk no.1 officers will engage with licensee to scope future plans for the site and the licensee's own plans as a Golf Professional
f) Responsible Officer & Implementation Date- Head of Sport & Wellbeing, July – September 2022

5.2 Risk 2 – Management of Income

ISSUE 3 – Income & Booking Procedures

a) Observation-

Audit held discussions with the licensee and a number of Council staff involved in the management of income. Audit also visited the Golf Club and performed some onsite testing.

The Golf Club is part of Council's Leisure Services operations but is not connected to the online system used in other Leisure Services Facilities to manage bookings and income.

The licensee does not have a formal procedure for managing bookings or tee off times. He uses a digital till and issues receipts for all income. The licensee also issues pre-numbered cards to those who take out a membership with the club and records their name and contact on a manual list he keeps by the till. Audit testing verified these cards are being issued in sequential order. Memberships fees are on a decreasing basis depending on how late in the year a golfer applies for membership. The licensee advised Audit that the reduced rate offered from August may result in loss of income as it is cheaper for a golfer to take up a reduced membership fee at that time, rather than paying green fees each time, they use the course. The timing of this reduced annual membership fee may not be commercially advantageous.

A daily till reading is taken by the licensee and recorded on a daily cash reconciliation sheet. This records green fees payable to Council. Most of the income is paid by credit/debit card. The sheets are collected on a weekly basis by a Council officer - the Sport and Community Facility Manager East. The lodgements of Council income are made up by the licensee and are collected by a security firm (on a weekly basis or more frequently if required). There are separate card machines onsite, one for the licensee's income and one for the Council's income.

Audit testing of cash on site and lodgements revealed no discrepancies.

<p>b) Implication- Although Audit found no evidence of errors or issues around income collection there is a risk that an opportunity is being missed to improve the efficiency of bookings and income by using an online system (such as the Legend system used by other Leisure service facilities).</p>
<p>c) Priority Rating- 3</p>
<p>d) Recommendation- The cost and benefits of introducing an online Leisure management system at the golf club should be considered.</p>
<p>e) Management Response- research will be carried out into the options for on-line booking systems for further consideration in order to establish which provides the most benefit in terms of income/booking management and economic benefit i.e. efficiency of booking system versus loss of income to 3rd Party provider.</p>
<p>f) Responsible Officer & Implementation Date- General Operations Manager, and Business Support & Administration Manager. July – December 2022</p>

ISSUE 4 – Safeguarding

<p>a) Observation- Audit was advised that the Golf Professional offers golfing lessons at Ballyreagh to both adults and youths. Audit enquired of Council if the Golf Professional had been provided with Council's Safeguarding Policy and if he had ever received safeguarding training. It appears that as the golf Professional is not a member of Council's staff, he has not received the relevant policy nor has, he received any safeguarding training.</p>
<p>b) Implication- If the Golf Professional is not aware of Council's policy on safeguarding there is a risk that he may not be aware of the correct actions to take if he became aware of a safeguarding issue.</p>
<p>c) Priority Rating- 2</p>
<p>d) Recommendation- The Golf Professional should be provided with Council's safeguarding policy and invited to attend the next scheduled safeguarding training offered by Council.</p>
<p>e) Management Response- Safeguarding Manager to liaise with HR department to issue current Safeguarding documentation to the Licensee at earliest opportunity. Request to be submitted for the Licensee to be included in the next available safeguarding training programme</p>
<p>f) Responsible Officer & Implementation Date- Sports and Wellbeing Development Service Unit Manager, Safeguarding Manager HR Department. June – July 2022</p>

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: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control, and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Appendix III: Summary of Key Controls Reviewed

Budgetary Control

Risk	Key Controls
<p>There may be a lack of clarity as to the obligations of the licensee and the Council in relation to Ballyreagh Golf Course leading to services not being delivered according to Council's objectives or in a manner which is not economic for Council</p>	<ul style="list-style-type: none"> • The context and background to the licence agreement is clear in the licence document i.e. the purpose/idea of the licence is clear • An appropriate agreement sets out the scope and extent of the rights granted to the licensee, as well as any limitations on those rights. • Details of the financial consideration governed by the licence are stated clearly - the timing and frequency of payments, any agreed details on the amount and mode of payment etc • The licence provides clarity over responsibilities for tax liabilities; insurance; risk management etc. • The licence indemnifies Council against any liabilities, losses, demands, claims, legal proceedings etc. arising from acts, omissions, defaults of the licensee. • The steps required to be taken to manage disputes and terminate the licence are clear in the licence agreement • An agreement manager has been identified within Council to lead on matters relating to the licence agreement and to ensure the terms of the licence are not breached. • There is an agreement monitoring process in place within Council • Any issues identified through monitoring the licence are dealt with in a timely manner by Council and the licensee • Meetings are held periodically between the Council and the licensee to review performance and deal with any issues • There are penalties within the agreement for no-compliance with the terms and conditions of the licence • The appropriateness of the licence is reviewed periodically by Council to ensure the licence remains valid, is economically viable and continues to fulfil Council's objectives • Any risks relating to the operation of the Golf Course under licence have been assessed and continue to be reviewed and updated • The Council receives any relevant information from the operator on a regular basis, in line with any agreement terms, to be able to process any agreement payments e.g. retainer
<p>There may be insufficient controls in place in relation to the receipt and recording of Golf Course income leading to an increased risk of loss of income to the Council due to misappropriation or errors</p>	<ul style="list-style-type: none"> • Income and cash handling procedures are in place at Ballyreagh to provide guidance to any staff employed by the licensee and involved in collecting payments from the public etc – this covers all ways of customers paying e.g. at the till using cash or card, online or over the telephone • Adequate training is provided to such staff who handle cash and manage income • Monies (cash and cheques) are held securely in a safe which is in an appropriate location until lodged • Adequate insurance is in place to cover cash held on the premises until lodged and cash held does not exceed the amount insured

Risk	Key Controls
	<ul style="list-style-type: none"> • Only designated staff are allowed to 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 • Any income received by post is promptly recorded and receipted. • End of day till reports are generated and reconciled to cash in till and credit/debit card records • 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. • Cash /cheque receipts are entered promptly in lodgement slips • All merchant card copies and printouts from card terminals are retained. • Card merchant copies from the till are checked to the printout from the Card Terminal • An appropriate financial record of income is maintained to provide an audit trail for the calculation of the % payable to Council • There is adequate Manager/ Supervisor oversight over the lodgement process and evidence of this • All income is reconciled to the bank statements on a regular basis • There is an appropriate process for informing and paying over to Council the % income due in a timely manner • The amounts to be paid to the licensee have been correctly calculated according to the terms of the agreement • Amounts claimed by the licensee are checked by Finance for accuracy