



## INTERNAL AUDIT REPORT – COMMUNITY FACILITIES

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Distribution:	Audit Committee Chief Executive Director of Corporate Services Director of Leisure & Development Head of Leisure, Well-being and Sport
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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.

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## Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18. This report summarises the findings arising from a review of Community Facilities which was allocated 9 days.

Through our audit we found the following examples of good practice:

- Receipts are produced and issued for every transaction.
- Monies are held securely in a safe which is in an appropriate location with adequate access control arrangements to the safe.
- 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.
- The petty cash float is reconciled regularly and secured.
- Petty cash is only issued on presentation of authorisation and evidence of the expenditure incurred
- The correct charges are applied to all lettings.

Two areas (Priority 1) where controls could be enhanced were noted during this review.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be insufficient controls in place in relation to the receipt income leading to an increased risk of loss of income to the Council due to misappropriation or errors.	1	-	-
The council does not receive fees that are due in relation to venue hire.	1	-	-
<b>Total recommendations made</b>	<b>2</b>	<b>-</b>	<b>-</b>

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

### Limited Assurance

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.

### Points for the attention of Management

In addition to the recommendations noted above we have identified a number of system enhancements during the course of the audit which do not form part of our formal findings, but may help enhance the existing controls. These are detailed at Appendix III.

## Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and will consider the main risks in relation to Community Facilities and to review the key systems and controls in place to address these. The review focused on:

- Cash Handling
- Venue Hire and Income.

## Background

A community facility is defined as a building or space where community led activities for community benefit are the primary use and the facility is managed, occupied or used primarily by the voluntary and community sector. Community facilities make an important contribution to the quality of life offered by the Borough.

Council has an abundance of Community facilities throughout the Borough which provide an enormous diversity of activities including parent and toddler groups, IT training, exercise classes and meetings of community groups. The benefits that accrue from these activities come in promoting health and wellbeing, education and training and helping to reduce anti-social behaviour. These facilities further raise quality of life through creating community cohesion, reducing isolation, reducing fear of crime and creating opportunities for information sharing and participation in community activity.

Council has ownership of 18 community centres throughout the Borough. Five are currently leased and community operated. All other community centres are directly operated by Council. All community facilities throughout the Borough are currently managed by Sport & Community Facilities Managers.

The management of cash is an important area for Causeway Coast and Glens Borough Council. Cash handling is inherently risky and requires robust controls in place to confirm all cash revenue is collected, recorded and lodged on a timely basis to reduce the opportunity for error, fraud or misappropriation.

## Risks

The risks identified relating to Community Facilities and agreed with management are as follows:

1. There may be insufficient controls in place in relation to the receipt income 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 security of cash/petty cash leading to potential theft or misappropriation and loss of income to the Council.
3. The council does not receive fees that are due in relation to venue hire.

## 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
Head of Leisure, Well-being and Sport Sport & Community Facilities Managers

## 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.

### 6.1 Risk 1 – Receipt of Income

Strategic Plan
<b>a) Observation-</b>  It was noted that some community facilities did not have any cash handling procedures in place and others were using old legacy cash handling procedures which have not been updated.
<b>b) Implication-</b> Lax (or non-existent) of cash handling procedures means that cashiers are left to operate autonomously; each with different ideas and around what constitutes good cash management. These inconsistencies can lead to wasted time, inefficiency, incomplete or skipped tasks, a loss of accountability or even a loss of visibility of cash.
<b>c) Priority Rating-</b> 1
<b>d) Recommendation-</b> Cash handling procedures should be put in place as a matter of urgency. Due diligence and transparency involving regular management activity (including creating and updating cash policy and procedures) sets a tone that professionalism is the standard.

**e) Management Response-**

Business Support Review currently under way in the Sport & Wellbeing Unit. This will standardise cash handling procedures across all facilities and is expected to include removal of cash handling in community centres. The implementation of associated protocols will be dictated by introduction of Booking Management systems across the 3 Areas of Facility Management and will be led by the new Business Support Manager (currently subject to a matching process with HR)

**Responsible Officer & Implementation Date-**

Business Support Manager / Sport & Wellbeing.  
April 2018 (subject to supporting info technology systems being in place)

## 6.2 Risk 2 – Security of Cash/Petty Cash

Audit has no findings or recommendations to make in relation to this risk area.

## 6.3 Risk 3 – Venue Hire

### Strategic Plan

**a) Observation-**

It was noted during the audit that streamlined booking forms are not in place and are not being consistently completed for each booking.

**b) Implication-**

Failure to ensure the accuracy of bookings and loss of income due to error.

**c) Priority Rating-**  
1

**d) Recommendation-**

Streamlined booking forms should be put in place for all community centre lettings which details the necessary terms and conditions.

**e) Management Response-**

Business Support Review currently under way in the Sport & Wellbeing Unit. This will standardise booking procedures across all facilities and is expected to include a computerised booking management system with associated booking form templates and protocols.

**Responsible Officer & Implementation Date-**

Business Support Manager / Sport & Wellbeing.  
April 2018 (subject to supporting info technology systems being in place)

## **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

Risk	Control issues
<p>There may be insufficient controls in place in relation to the receipt 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"> <li>• Cash handling procedures are in place to provide guidance to staff collecting payments</li> <li>• Adequate training is provided to staff who handle cash</li> <li>• A separate float is held which is counted and verified at the end of each day</li> <li>• A cash reconciliation is performed at the end of each day</li> <li>• Receipts are produced and issued for every transaction</li> <li>• All discrepancies are fully investigated and records maintained</li> <li>• Cash received by post is promptly recorded and receipted.</li> </ul>
<p>There may be inadequate controls over the security of cash/petty cash leading to potential theft or misappropriation and loss of income to the Council</p>	<ul style="list-style-type: none"> <li>• Monies are held securely in a safe which is in an appropriate location</li> <li>• There are adequate access control arrangements to the safe</li> <li>• Lodgements are made regularly and promptly</li> <li>• Adequate insurance is in place to cover cash held on the premises until lodged and cash held does not exceed the amount insured</li> <li>• There are clear policies and procedures covering petty cash</li> <li>• When the petty cash float is not in use it is kept in a secure location</li> <li>• The petty cash float is reconciled regularly.</li> <li>• Petty cash is only issued on presentation of authorisation and evidence of the expenditure incurred.</li> </ul>
<p>The council does not receive fees that are due in relation to venue hire.</p>	<ul style="list-style-type: none"> <li>• Responsibility for Community Centre lettings is clearly defined.</li> <li>• There is a system in place for dealing with lettings and appropriate records are maintained.</li> <li>• The correct charges are applied to all lettings.</li> <li>• Charges are accurate, complete, raised promptly, properly accounted for and pursued if necessary.</li> </ul>



## Appendix III: Points for the Attention of Management

### Centralised Income Management

It was noted that some community facilities transactions are well managed through the nearest Leisure Centre. However, other centres transactions are handled by the care taker on duty who is left to operate autonomously; each with different ideas and around what constitutes good cash management.

Council should consider a consistent approach to the operation of community facility transactions.

### Management Response

Business Support requirements across the management of Community Facilities is currently under review and systems and protocols are expected to be standardised accordingly to mitigate against risks highlighted in this audit.

The implementation of those systems will be led by the new post of Business Support Manager and is likely to be from the commencement of the new Financial year / April 2018.

Where possible cash handling and the administration of same is to be held in the main leisure centres and sports centres (type 1 and type 2 facilities).