

Causeway Coast and Glens Borough Council

Internal Audit Report Cash Handling Ballyreagh Golf Course

June 2016
Final

MOORE STEPHENS

INTERNAL AUDIT REPORT

Cash Handling

Executive Summary

This internal audit was completed following a request by management and as part of audit work for 2016/17. This report summarises the findings arising from a review of cash handling at Ballyreagh Golf Course and is part of a larger review of cash handling arrangements in selected outlying Council facilities which was allocated 12 days (reported separately). We spent 1.5 days on this assignment covering the golf course.

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

- Ticket numbers had been accurately recorded on the daily record sheets with no breaks in numbers and all sheets had been signed off by the independent Golf Pro operating the sales at the course
- Lodgements were found to be made regularly and promptly
- Council's Leisure Services staff review daily record sheets (showing the number of green fee tickets sold) submitted by the Golf Pro to the Council on a monthly basis and check these for accuracy.

We recognise that the golf course provides a well-utilised facility with services delivered mostly by the Golf Pro on his own and there is therefore a balance to be struck in relation to service provision and formal controls. Given the levels of annual income for the facility however, it is important that financial controls are adequate and operate effectively. As a result of our audit, two priority 1 areas where controls could be enhanced were noted during our review:

- Overall, we found a general lack of controls in relation to the receipt, recording and reconciliation of cash, in particular in relation to lack of documented cash handling procedures, lack of formal reconciliation of till receipts to tickets issued and delay in the time taken to reconcile any unders or overs lodged by the golf pro (rolled forward monthly and reconciled on a 6-monthly basis)
- Overall, we found a general lack of controls in relation to the security of cash and lodgement procedures, in particular in relation to lack of secure storage of cash takings, there is a lack of segregation of duties in relation to income receipt and lodgement, large sums of cash may be accumulated before being lodged and informational staff cover arrangements are sometimes used.

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 of income at point of sale and the recording and reconciliation of cash leading to an increased risk of loss of income to the Council due to misappropriation or errors	1	-	-
There may be inadequate controls over the security of cash leading to potential theft or misappropriation and loss of income to the Council	1	-	-
Total recommendations made	2	-	-

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

Limited

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. Urgent action is required to improve the adequacy and effectiveness of governance, risk management and control.

Points for the attention of Management

In addition to the recommendations noted above we have identified three 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 3.

Table of Contents

Executive Summary.....	1
1 Objective	4
2 Background	4
3 Risks	4
4 Audit Approach.....	5
5 Findings and Recommendations	6
5.1 Risk 1 – Receipt, Recording and Reconciliation of Cash	6
5.2 Risk 2 – Security of Cash	7
Appendix I: Definition of Assurance Ratings and Hierarchy of Findings.....	9
Appendix II: Summary of Key Controls Reviewed.....	10
Appendix III: Points for the Attention of Management	11

Auditor:	Sinead Callan, Internal Auditor Steven Lindsay, Internal Audit Partner
Distribution:	Chief Executive Director of Performance Director of Leisure and Development Head of Leisure, Well-being and Sport Coleraine Leisure Centre Manager Head of Convergence Audit Panel
	June 2016

Audit progress	Date
Audit commenced	17 May 2016
Draft Report issued to senior management for response	6 July 2016
Responses Received	26 August 2016
Responses Agreed	30 August 2016
Report Issued	30 August 2016

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 scope of the audit was agreed with the Head of Leisure, Well-being and Sport. The agreed audit objectives were to ensure that:

- There are adequate controls over the receipt of cash income
- Adequate arrangements are in place in relation to the recording and reconciliation of cash
- Adequate arrangements are in place in relation to the security of cash

The scope of this audit was to consider the main risks facing the Council in relation to cash handling at selected leisure facilities and to review the key systems and controls in place to address these. This audit report focuses on cash handling within Ballyreagh Golf Course including:

- Controls over the security of cash, cash registers and safes
- Reviewing procedures for daily cash reconciliations.
- Completeness of recording of cash received and lodgements made
- Management oversight including reconciliations and authorisation arrangements

2 Background

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. The Council has a number of revenue streams which accept payment in cash and therefore consistent policies and procedures should be followed when handling cash.

Ballyreagh Golf Course is owned by the Council and run by a Golf Pro who receives a monthly retainer for managing the course on the Council's behalf. The Golf Pro also receives commission based on green fee income and this is paid in two instalments each year. A shop is located on the premises where the Golf Pro sells golf merchandise and sundry items, as well as taking fees for using the course. The Council receives revenue for green fees at Ballyreagh Golf Course (average annual income is approximately £100k, with the majority being received over the summer months). All other income (for example from the sale of merchandise and confectionary and the hire of clubs and bags) belongs to the Golf Pro. One till is used to process all takings; a separate green fee key is used for Council-related income and all other cash takings are also processed through the till.

3 Risks

The risks identified relating to cash handling 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 and the recording and reconciliation of cash 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 leading to potential theft or misappropriation and loss of income to the Council.

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
Head of Leisure, Well-being and Sport
Golf Pro, Ballyreagh Golf Course
Business Support Officer, Leisure Services

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 – Receipt, Recording and Reconciliation of Cash

Recommendation 1 - Cash Handling receipt, recording and reconciliation

a) Observation-

Overall, we found a general lack of controls in relation to the receipt, recording and reconciliation of cash. In particular, we found the following from our testing:

- No standard cash handling procedures have been developed and, although the Golf Pro is experienced and is generally on site during the summer months when the course is busy, there may be occasions when only the agency staff is on hand to deal with payments. Agency and casual staff, by their nature, are not as familiar with the processes and procedures required when handling cash as permanent staff.
- Receipts are not issued from the till; instead tickets are issued for each green fee in numerical order and a daily record is maintained of the start and end ticket number for each green fee rate. These are tallied daily and are used as the basis for calculating income due to the Council. We found that no formal reconciliation is performed of the till reading (for green fees) against the daily ticket totals.
- We noted that on 3 occasions (from a sample of 17 sheets) there were errors in the totalling of the daily income due to the Council and the overall total had also been miscalculated. We also confirmed that sheets returned to Leisure Services for April 2016 had 6 arithmetical errors totalling an under lodgement of £143. Although these had been identified and recorded by Leisure Services, any over/ unders are rolled forward each month and the overall figure at the end of the 6 month period is then followed up with the Golf Pro by Leisure Services

b) Implication-

The lack of clear cash handling procedures and controls risks a lack of consistency of approach by staff, ineffective controls being operated and an increased risk of misappropriation due to errors or otherwise. Further, continued roll forwards of over/under lodgements could lead to control issues not being dealt with as they arise.

c) Priority Rating-

1

d) Recommendation-

The Council should complete a full and detailed review of the financial controls and processes in place at the golf course (as part of its wider review of cash handling and financial controls across its leisure sites, as recommended in previous audit reports).

As part of this review, a clear cash handling policy and procedures should be developed covering receipt of income, till reconciliation, security of cash, and accuracy and monitoring of income records, linking across all leisure sites including

the golf course. Consistent recording templates and checklists should be developed for use across all sites to ensure consistency of approach and provide a standard process for staff working off-site. Training should then be provided to staff (including any agency staff) involved in cash handling at the golf course.

In addition, the Council should put in trend analysis controls for income received at the golf course (and other leisure sites) to reduce risk and identify opportunities for service/site development and increased income generation.

e) Management Response-

Management will commence in consultation with the current licence holder and Council Business Support Staff a review of the current financial controls which exists at Ballyreagh Golf Course. In conjunction with the Licence holder, management will establish and implement safe systems of control, with associated paperwork to standardise processes and reduce risk.

f) Responsible Officer & Implementation Date-

Sport & Well Being Area Manager (Central), Business Unit Staff and Licence Holder (Licencee)

5.2 Risk 2 – Security of Cash

Recommendation 4 - Security of Cash and Lodgement procedures

a) Observation-

Overall, we found a general lack of controls in relation to the security of cash and lodgement procedures. In particular, we found the following from our testing:

- Council takings are held in a box (which is not secure) separate from other income and left in the storeroom which is locked overnight. We found that cash relating to the Council may not always be left in this box as part of the end of day closure procedures along with other Council cash pending lodgement and on evenings when someone other than the golf pro closes the premises, the takings are left in the till.
- There is currently no cash or lodgement summary sheet prepared to record the daily takings and the total lodgement made or review of the lodgement by a second staff member prior to banking.
- Approximately £57k was received from green fees during July and August. Ten lodgements were made over this period, ranging from £5k to £8k meaning high levels of cash were held on the premises and subsequently in transit for lodgement. We also noted that during the summer months, large sums of cash may accumulate (up to £1k per day), however no cash lifts are performed mid shift.
- The Golf Pro largely works on his own with some support provided to cover time off and during the summer months by agency staff. Occasional cover may also be provided by a friend of the Golf Pro on an ad hoc basis, and this is an informal arrangement.

<p>b) Implication- If cash received is not adequately secured there is an increased risk of potential theft or misappropriation and loss of income to the Council. In addition, there is an incomplete audit trail of income received to lodgements, lack of management oversight and segregation of duties in relation to the receipt of income, and preparation and banking of lodgements, and informal staff cover arrangements may not be appropriate. Further, where staff are transporting large amounts of cash for lodgement, there may be increased to the security of staff.</p>
<p>c) Priority Rating- 1</p>
<p>d) Recommendation- The Council should ensure that adequate arrangements are put in place to hold cash securely once received and until lodgement. In addition, lodgements should be sufficiently frequent to reduce the risk of the build-up of large cash amounts on site and risk to staff when taking lodgements for banking.</p> <p>Security of cash held and collection/banking of lodgements should be reviewed across all leisure sites to determine whether common arrangements can be made (particularly for sites situated close to each other) and staff cover arrangements reviewed to ensure that these are appropriate and lodgements can be made securely.</p>
<p>e) Management Response- Management in consultation with the Licencee will review the current procedures/practices for the securing of cash on site and the subsequent transportation of cash to the bank. Council staff will work closely with the Licencee to ensure that adequate cash storage is available and managed on site within specified amounts, safe banking arrangements will be implemented to ensure timely lodgements are carried out within set timeframes.</p>
<p>f) Responsible Officer & Implementation Date- Sport & Well Being Area Manager (Central), Business Unit Staff and Licencee</p>

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Substantial Assurance

Evaluation Opinion: There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.

Testing opinion: There is evidence that the controls are being consistently applied.

Satisfactory Assurance

Evaluation opinion: Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and / or effectiveness of governance, risk management and control.

Testing opinion: There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance

Evaluation opinion: There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.

Testing opinion: The level of non-compliance puts the system objectives at risk.

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. Urgent action is required to improve the adequacy and effectiveness of governance, risk management and control.

Testing opinion: Significant non-compliance with the basic controls leaves the system open to error or abuse.

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: Major issues which require urgent attention and the implementation of agreed audit recommendations in the short term.

Priority 2: Important issues which require immediate attention and the implementation of agreed audit recommendations in the short to medium term.

Priority 3: Detailed issues of a less important nature which require attention and the implementation of agreed audit recommendations in the medium to long term.

Appendix II: Summary of Key Controls Reviewed

CASH HANDLING

Risk	Key Controls
<p>There may be insufficient controls in place in relation to the receipt of income at point of sale and the recording and reconciliation of cash 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 – Subject to recommendation • Adequate training is provided to staff who handle cash – subject to recommendations • Till reconciliation is performed at the end of each shift – subject to recommendation • Tickets are produced and issued for every transaction • End of day till reports are generated and reconciled to cash in till - Z readings agreed to takings – subject to recommendation • Separation of duties exists between staff responsible for income collection and staff with responsibility for reconciling income received to the bank – subject to recommendation • There is adequate completion of daily/ weekly cash sales sheets – subject to recommendation • There is adequate oversight over the reconciliation process and evidence of this – subject to recommendation • Surprise cash counts are performed periodically – subject to point for management
<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 – subject to recommendation • 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 – subject to recommendation • Lodgements are prepared by two staff members – subject to recommendation • 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 – subject to recommendation

Appendix III: Points for the Attention of Management

Surprise cash counts

Surprise cash counts are not currently carried out at the golf club to ensure the completeness of income. Consideration should be given to carrying out periodic spot checks as an additional control to ensure all income is accurately accounted for. This could be included as part of an overall review of cash handling controls across other Council facilities including the caravan parks.

Management Response-

Due to the unique nature of the management arrangement at Ballyreagh Golf Club, Management will investigate the practicalities of the implementation of the above and whether Licence Holder/Council Staff are best placed to carry this out.

Tickets

We observed that pre-numbered tickets are issued to users of the golf course and these are kept on the counter within the shop. As these tickets are used for calculating income due to the Council and hold a monetary value it is therefore important that these are kept out of sight of public view and should be held under the counter (or other safe area which is out of reach and view of customers).

Management Response-

Management will in consultation with the Licence Holder consider other options for storage of the pre numbered tickets.

Spot Checks on the course

We noted that the Golf Pro frequently works on his own and therefore he does not tend to go on to the course to check that customers have paid as this would mean that the shop would be left unattended. During the summer months however when additional cover is provided, consideration should be given to carrying out more frequent checks on the course to ensure that all users have paid their fees and to ensure no unauthorised access to the course.

Management Response-

Management will in consultation with the Licence Holder consider the practicalities and the staffing implications of delivery of the above point.