

**Bolsover, Chesterfield and North East Derbyshire District  
Councils'**

**Internal Audit Consortium**

**Internal Audit Report**

<b>Authority:</b>	<b>Bolsover District Council</b>
<b>Subject:</b>	<b>Creswell Leisure Centre (BO02)</b>
<b>Date of Issue:</b>	<b>13<sup>th</sup> July 2015</b>

<b>Report Distribution:</b>	<b>Assistant Director of Leisure Facilities Planning and Development Manager Executive Director for Transformation Executive Director of Operations</b>
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**INTERNAL AUDIT REPORT**  
**CRESWELL LEISURE CENTRE**  
**LEISURE SERVICES**

**Introduction**

In accordance with the 2015/16 audit plan, an audit of Creswell Leisure Centre has been undertaken.

**Scope and Objectives**

Areas tested included: -

- Fees and Charges.
- Banking & cash security.
- Membership scheme.
- Small sales.
- Contract bookings.
- Vending machines.
- Utilisation
- Pool and activity parties
- Lost property procedure.
- Photography policy.
- Fire and evacuation procedure.
- Purchasing process.
- Budget Analysis.
- Previous recommendations.

**Conclusion**

The overall conclusion of the audit was that the reliability of the internal controls operating at Creswell Leisure Centre is **Marginal**; a number of areas have been identified for improvement.

## **Findings and Recommendations**

### **1. Fees and charges**

1.1 It was confirmed during the initial planning meeting of the audit review by the Facilities Planning and Development Manager (FPDM) that 2015 fees and charges had not been implemented at any of the Council's leisure facilities. The new charges should have been introduced with effect from 1<sup>st</sup> January 2015. The fees and charges review was uploaded onto the Advantage system during the course of the audit with effect from the 1<sup>st</sup> May 2015. The error has resulted in the introduction of a daily schedule used by the FPDM to diarise important events.

### **2. Banking and cash security**

2.1 Cash up sheets for the month of March were examined. It was pleasing to see that a blank proforma has been produced for use at the end of shifts one & two. Unfortunately during 29 of the 31 days throughout the month only the end of day cash up had been carried out, omitting the middle of the day end of shift cash up. On the 26<sup>th</sup> March the reason given for the till being over by £7.30 was 'unknown, no cash up all day'. Highlighting the necessity to complete a cash up at the end of each shift. It should be acknowledged at this point that the centre was short staffed at the time.

2.2 As per a previous audit recommendation any cash discrepancy in excess of £10 should be subject to investigation. An analysis of cash discrepancies between April 2014 and March 2015 was undertaken, during the period discrepancies exceeded £10 on nine occasions. The Senior Supervisor at CLC was able to provide evidence of investigation four of the nine from the sample.

2.3 Takings are collected by Security Plus on a weekly basis. Insurance limits for the safes contents were obtained from the Senior Technical Officer and confirmed as £2,000 for the safe at Creswell Leisure Centre (CLC). Amounts held in the safe prior to being collected were checked for March 2015. Safe contents exceeded the £2,000 limit on the 3<sup>rd</sup> to 5<sup>th</sup> March, 10<sup>th</sup> to 12<sup>th</sup> March, 19<sup>th</sup> March and 26<sup>th</sup> March. It was confirmed that the excess cash limits occurred during a period when swimming lessons were being renewed and therefore additional payments had been received. Insurance excess values are set at £10,000 on all property claims, it has therefore been evaluated as an acceptable risk.

2.4 A list of current key holders was produced by the Senior Supervisor. Recommendations have been made in previous audit reviews regarding the number of staff with a door key, alarm fob and/or safe codes. The recommendations have previously been disagreed due to the operational difficulties a reduction in the number of staff with access would create. The situation remains unchanged at present, however future plans include a duty manager who will act as key holder, safe access point etc. Payroll confirmed that all persons named on the list of key holders are employed at CLC.

<b>R1</b>	Leisure Centre staff should be reminded of the need to complete a till reconciliation at the end of each shift. <b>Priority : high</b>
<b>R2</b>	Cash discrepancies above £10 should be subject to investigation. <b>Priority : medium</b>

### 3. Membership scheme

3.1 Four types of B-Active memberships are available:

- Xtra – Users are able to use all facilities which include the gym, classes, swimming, and squash. Additionally, all facilities at Clowne Leisure Centre can be used.
- Gym – Users have access to the weights room, the cardiovascular room and kinesis classes.
- Workout (classes) – with this membership users have access to fitball, spinning, aquafit, aquajog and kinesis.
- Aqua – with aqua membership users can access the pool only, which can be used for swimming, aquafit and aquajog.

3.2 The above memberships are available for purchase at adult, couple, family and golden years/student rates and can be paid by cash, direct debit or annually. A pay and go price list is also available. Should users wish to take advantage of reduced pay and go pricing an annual pass can be purchased enabling them to do so at the following cost:

- Resident            £8.00
- Non resident       £9.00
- Concessionary    £6.50

3.3 A sample of ten leisure membership applications was selected at random from the leisure applications file. The Advantage system was checked to ensure prices charged were those quoted in the centre and reflected the type of membership applied for, all testing was satisfactory.

3.4 Direct debit payments are collected by Debit Finance Collection (DFC). Details of direct debit payments and cancellations are downloaded from the DFC website on the 1<sup>st</sup>, 8<sup>th</sup>, 15<sup>th</sup> and 25<sup>th</sup> of each month. Any frozen, cancelled or not paid entry is highlighted and cancelled on the system. A random sample of ten cancellations was chosen from information downloaded from the DFC website for the months of March and April 2015 and cross referenced to the Advantage system. Of the sample of ten, three memberships had not been cancelled on Advantage.

<b>R3</b>	Memberships should be cancelled on receipt of a cancelled direct debit instruction from DFC. <b>Priority : high</b>
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#### 4. Small Sales

4.1 Stock takes are performed on a regular basis, albeit not monthly. Stock held is recorded in two separate locations; on manual stock sheets and within Advantage. Only stock which is being held in storage is recorded on stock sheets, whereas both stock out on display and stock held in storage is shown in the stock levels held on the Advantage system. The previous audit review in November 2013 recommended: *Stock records of small sale items must include all goods held, including any on display.* Testing has shown that the recommendation has not been implemented and is therefore repeated below.

4.2 A sample of five products was chosen and actual stock held compared to Advantage records. For one of the items within the sample the stock on display was not recorded on Advantage.

<b>R4</b>	Stock records of small sale items must include all goods held, including any on display. Alternatively, consideration should be given to only recording stock levels within Advantage. <b>Priority : low</b>
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4.3 A sample of five stock item cost and selling prices were compared to review the percentage mark up. Items are ordered from SRS Leisure and sold at the recommended retail price as quoted by SRS Leisure.

<b>Product</b>	<b>Cost price</b>	<b>Selling price</b>	<b>% Mark up</b>
Neptune Nauticals	£2.75	£5.00	81.8%
Nose clips	£1.25	£2.00	60%
Rocky & Shelly Armbands	£3.00	£5.00	66.7%
Little Swimmers (Green)	£0.75	£1.10	46.7%
Latex socks	£2.00	£4.00	100%

#### 5. Contract bookings

5.1 Block bookings can be made for squash courts for a total of thirteen weeks. A sample of five block booking applications was examined and all were found to be fully completed and signed by both the centre user and staff. The five applications were also checked to ensure the block booking had been entered onto the Advantage system, again all testing was satisfactory, although one block booking had been made for fourteen weeks. The Senior Supervisor attributed the mistake to human error.

5.2 Derbyshire County Council is invoiced for school swimming lessons each half term, payment terms are immediate.

#### 6. Vending machines

6.1 Vending machines are fully serviced by Wilkes who stock, maintain and empty the machine of its takings. It is pleasing to see that a spreadsheet is now maintained within

Accountancy showing income received from vending machines to monitor reasonableness, in line with a recommendation made as part of the previous audit.

6.2 January income received from Wilkes was significantly lower than other months, additionally no income was recorded in FMS for February. The FPDM confirmed, after discussion with the Senior Supervisor that a vending machine was out of order for a number of weeks and had to be replaced.

6.3 An internal audit review has recently been undertaken at Sharley Park Leisure Centre, the Auditor conducting the audit confirmed that the contract between Wilkes and the Council expired in 2014. The following recommendation was therefore made '*The contract between Wilkes and the Council is reviewed to ensure it remains good value.*'

<b>R5</b>	The Wilkes vending machine income currently maintained by Accountancy should be sent to the FPDM on a monthly basis to allow informed decisions to be made re fluctuations in income levels. <b>Priority : medium</b>
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## 7. Utilisation

7.1 Utilisation figures for squash courts were obtained for the months of March and April 2015, the centre achieved an average of 33.05% usage over the two month period.

## 8. Pool and activity parties

8.1 Staff members confirmed that pool parties are a popular activity offered at CLC, this is largely due to the fact that pool parties can only be booked on a Saturday afternoon so as not to impinge on other pool activities. A standard pool party costs £45 per hour for pool hire including small balls & inflatables. A large inflatable structure can also be hired for an additional £20; therefore the maximum cost of a pool party is £65.

8.2 A £10 (minimum) non refundable deposit is required and is payable within a week of making the initial booking. The balance is payable on the day of the party. A sample of ten party bookings made throughout March, April and May was taken to ensure the correct amounts had been charged and payment received. During testing it was found that party bookings are reserved despite deposits not being paid. For two out of the sample of ten the participants had not paid a deposit and did not attend resulting in loss of income.

<b>R6</b>	Party bookings should only be confirmed on receipt of a deposit. <b>Priority : high</b>
<b>R6a</b>	Consideration should be given to implementing a procedure whereby the full balance is payable prior to the date of the party. <b>Priority : Low</b>

## 9. Lost property

9.1 A clear lost property procedure can be found in the centre's comprehensive operating guide (C.O.G) and is largely being followed, the Auditor was informed that non valuable items i.e. clothing is thrown away after three months whereas the procedure states that items should be taken to the local charity shop.

9.2 A procedure is not in place for the FPDM to follow in relation to the disposal of valuable items handed over from Leisure Centres, it is proposed that a procedure is implemented.

<b>R7</b>	Consideration should be given to implementing a procedure covering the disposal of valuable lost property by the FPDM. <ul style="list-style-type: none"><li>• The procedure should state the disposal methodology relating to property type, method of disposal should be specified as appropriate.</li><li>• The updated procedure should officially document descriptions, quantities and dates of all items received from Leisure Centres.</li><li>• The document should provide for signing off and dating when the appropriate action has been taken.</li><li>• The procedure should also require additional management check to confirm that the items of value have been disposed of in the stipulated manner. <b>Priority : medium</b></li></ul>
<b>R8</b>	As per the comprehensive operating guide non valuable lost property items i.e. clothing should be taken to the centre's local charity shop after three months. <b>Priority : low</b>

## 10. Photography policy

10.1 The Authority has a strict policy on the use of photographic equipment on its premises. In addition, a section of the Creswell Leisure Centre C.O.G is devoted to child and vulnerable adult protection. Photography permission slips and signage was evidenced.

## 11. Fire and evacuation procedure

11.1 Written fire and evacuation procedures are in place and a full evacuation drill is undertaken annually.

11.2 Enquiries were made to establish the accuracy and reliability of head counts of users in the facility at any point in time. During the audit, a service user honestly paid on the way out of the centre stating no one was on reception when she had arrived. Given this, it would be difficult to provide an exact number of users within the centre at any given time. However, the Auditor was assured that as part of the evacuation procedure members of staff ensure the building is clear of all users before evacuating the building themselves.

## **12. Purchasing process**

12.1 A sample of 10 purchase orders was extracted from the E-Purchasing system. The sample was spread across CLC employees and selected at random on that basis. Separation of duties was noted throughout the sample as all had been raised and authorised by different employees. The purchase orders were compared to the BDC Purchasing users list and authorisation limits noted. The type of goods purchased was analysed for reasonableness, all testing was satisfactory.

## **13. Budget analysis**

13.1 2014/15 annual figures to outturn were analysed, actual totals amounted to £163,319 exceeding the budgeted total by £23,940. This is largely due to an over spend on casual staffing of £23,198 and overtime of £3,653, the over spends have been offset somewhat by an under spend in basic salaries of £13,546. Additionally, lower than anticipated fitness suite membership fees of £14,948 were received.

## **14. Previous recommendations**

14.1 Five recommendations were made as a result of the previous audit review in November 2013; one of the recommendations has been repeated *'stock records of small sale items must include all goods held, including any on display.'*

## **15. Acknowledgement**

15.1 The Auditor would like to thank Creswell Leisure Centre team members and the FPDM for their assistance during the course of this audit.



### Internal Audit Report – Implementation Schedule


<b>Report Title:</b>	Creswell Leisure Centre 2015/16	<b>Report Date:</b>	13 <sup>th</sup> July 2015
		<b>Response Due By Date:</b>	3 <sup>rd</sup> August 2015

	Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
<b>R1</b>	Leisure Centre staff should be reminded of the need to complete a till reconciliation at the end of each shift.	High	✓	Jamie Bend	Implemented			
<b>R2</b>	Cash discrepancies above £10 should be subject to investigation.	Medium	✓	Jamie Bend	Implemented			
<b>R3</b>	Memberships should be cancelled on receipt of a cancelled direct debit instruction from DFC.	High	✓	Jamie Bend				This already takes place, at the sign off of the audit the situation was explained that most of the members appearing on the web page were in fact frozen and therefore their membership not been cancelled. One person from the list provided had in fact cancelled but not been cancelled on the booking system

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagree d	Further Discussion Required	Comments
			Officer	Date			
<b>R4</b> Stock records of small sale items must include all goods held, including any on display. Alternatively, consideration should be given to only recoding stock levels within Advantage.	Low	✓	Wayne Carter	15 <sup>th</sup> August 2015			
<b>R5</b> The Wilkes vending machine income currently maintained by Accountancy should be sent to the FPDM on a monthly basis to allow informed decisions to be made re fluctuations in income levels	Medium	✓	Wayne Carter in conjunction with Accountancy				Wayne to request from Accountancy
<b>R6</b> Party bookings should only be confirmed on receipt of a deposit	High	✓	Jamie Bend	imple mented			
<b>R6a</b> Consideration should be given to implementing a procedure whereby the full balance is payable prior to the date of the party.	Low	✓	Jamie Bend				Where possible we will look at this request, but most would pay off balance when attending party
<b>R7</b> Consideration should be given to implementing a procedure covering the disposal of valuable lost property by the FPDM. <ul style="list-style-type: none"> <li>• The procedure should state the disposal methodology relating to property type, method of disposal should be specified as appropriate.</li> <li>• The updated procedure</li> </ul>	Medium	✓	Wayne Carter	End August 2015			Will re-write the Compressive Operating Guide to reflect the suggested changes

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagree d	Further Discussion Required	Comments	
			Officer	Date				
<p>should officially document descriptions, quantities and dates of all items received from Leisure Centres.</p> <ul style="list-style-type: none"> <li>• The document should provide for signing off and dating when the appropriate action has been taken.</li> <li>• The procedure should also require additional management check to confirm that the items of value have been disposed of in the stipulated manner.</li> </ul>								
<b>R8</b>	As per the comprehensive operating guide non valuable lost property items i.e. clothing should be taken to the centre's local charity shop after three months.	Low	✓	Wayne Carter	End August 2015			Slight tweak to COG as above

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	29/07/2015
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**Appendix A**

<b>Definitions of Conclusions:</b>	
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.