

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	14 JANUARY 2010
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION – LEISURE CENTRES
PURPOSE OF REPORT	TO CONSIDER A PRÉCIS OF THE INTERNAL AUDIT REPORTS, AT THE REQUEST OF THE CHAIR AND VICE-CHAIR
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

I. INTRODUCTION

- I.1 The Committee's Chair and Vice-Chair have considered all the internal audit reports published during the period from 1st September 2009 and 30th November 2009.
- I.2 Audit reports on six leisure establishments have been published during this period. Whilst three of the centres were given a Category B opinion, three others were given a C category:
- Penllyn Leisure Centre, Y Bala
 - Arfon Tennis Centre, Caernarfon
 - Plas Ffrancon Leisure Centre, Bethesda
- I.3 The reason that these three centres in particular were given a C category was because of the high proportion of expected internal controls were not being adhered to:
- **Penllyn Leisure Centre**– Tests were undertaken on **63** internal controls. The tests showed that good internal controls were in place in **39** of these areas.
 - **Tennis Centre** - Tests were undertaken on **58** internal controls. The tests showed that good internal controls were in place in **31** of these areas.
 - **Plas Ffrancon** - Tests were undertaken on **58** internal controls. The tests showed that good internal controls were in place in **35** of these areas.
- I.4 As a result, a request has been made for officers from Provider and Leisure Department to attend the meeting in order to respond to any questions that arise from the internal audit reports regarding the administration and management of these leisure centres.
- I.5 The executive summaries of the relevant internal audit reports are contained in the appendix.

2. RESPONSE OF THE LEISURE SERVICE

- 2.1 It can be confirmed that the Leisure Service has updated its financial guidelines for leisure centres as a response to the reports, and have provided new guidance for some other areas. This is in order to ensure that internal control issues raised in the reports are dealt with.
- 2.2 The guidelines include detailed documentation with regards to the following topics:
- Cash handling
 - Ordering
 - Imprest Accounts
 - Internal Audit
 - Direct Debit
 - VAT
- 2.3 It is expected that the guidelines will not only be distributed to all leisure centres, but will also be implemented and adhered to in those cases where a lack of compliance was seen during the audit.

3. RECOMMENDATION

- 3.1 The Committee is requested to accept the précis of the internal audit reports, comment on the contents in accordance with members' wishes, and support the recommendations that have already been presented to managers from the Provider and Leisure Department for implementation.

**PENLLYN LEISURE CENTRE
Provider and Leisure**

Purpose of the Audit

To ensure that internal controls are in place at Penllyn Leisure Centre, Bala, in order to mitigate the operational risks and that these controls are implemented.

Scope of the Audit

Examining samples of financial transactions for the 2008/09 financial year and the beginning of the 2009/10 financial year and examining the controls in place for stock control and ensuring that the Centre conforms to any health and safety requirements.

Main Findings

During this audit, instances of good control were seen in respect of security and arrangements for checking equipment and the condition of the pool. However, when the financial aspects were examined, many weaknesses were identified.

Audit Opinion

(C) The Audit Opinion is that assurance of financial propriety of Penllyn Leisure Centre, Bala cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud resulted from control weaknesses. The main recommendations of the report are as follows:

- **When a refund is made, the customer, Receptionist and the Duty Manager must sign a form confirming that the customer has received the refund and that it has been processed on the tilling system.**
- **It must be ensured that the officer completing the Request to Raise an Invoice sheet is aware of the relevant VAT rules and it must be noted on the sheet whether VAT is already included in the price. Furthermore, it must be ensured that the correct cost is entered on the sheet.**
- **It must be ensured that invoices are set against the correct club / company / individual.**
- **There must be clear signs in every reception area, explaining that no photographs are to be taken without receiving prior permission from the Manager.**
- **It must be ensured that the Centre Manager signs forms CD692 and CD693 to confirm that permission has been granted to take photographs. Should this not be possible, then the Facilities Manager should sign the forms. No officer should sign on behalf of the photographer / person allowing their child to be photographed or on behalf of the Centre.**

ARFON TENNIS CENTRE

Provider and Leisure

Purpose of the Audit

To ensure that internal controls are in place at Arfon Tennis Centre, in order to mitigate the operational risks and that these controls are implemented.

Scope of the Audit

Examining samples of financial transactions for the 2008/09 financial year and the beginning of the 2009/10 financial year and examining the controls in place for stock control and ensuring that the Centre conforms to any health and safety requirements.

Main Findings

Instances of good practices were seen in some cases. However, in other areas the internal controls were not satisfactory.

Audit Opinion

(C) The Audit Opinion is that assurance of financial propriety at Arfon Tennis Centre cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud resulted from control weaknesses. The main recommendations of the report are as follows:

- **Financial reports from the system should be kept in accordance with the Council's Retention Policy, that is until the end of the financial year and for another two years.**
- **It should be ensured that the Centre's staff do not log into the computer system on more than one computer at the same time.**
- **No officer should authorise their own timesheet. This should be done by another officer who is in a position to confirm that the hours worked are correct. Ideally, this should be the officer's Line Manager.**
- **At least three quotes should be received for orders worth between £5,000 and £50,000 and a record of this should be kept.**
- **There should be a separation of duties in the process of ordering and paying invoices. An authorised officer should sign the order, a different officer should check and sign the boxes on the coding slip, and another officer should certify the invoice (this officer should be authorised to do so). Therefore, it should be ensured that at least three officers are part of this process.**
- **Money earmarked as float should not be used as imprest.**
- **Posters should be placed in the fitness room to explain that the Council does not accept any liability if someone is injured whilst using the fitness room without an induction.**

PLAS FFRANCON LEISURE CENTRE

Provider and Leisure

Purpose of the Audit

To ensure that internal controls are in place at Plas Ffrancon Leisure Centre in order to mitigate the operational risks and that these controls are being implemented.

Scope of the Audit

Examining samples of financial transactions for the 2008/09 financial year and the beginning of the 2009/10 financial year and examining the controls in place for stock control and ensuring that the Centre conforms to any health and safety requirements.

Main Findings

It was noted during the audit that there were example of good practice in Plas Ffrancon Leisure Centre. Most of the cases where the arrangements were not deemed to be as strong were seen in the Centre's financial arrangements.

Audit Opinion

(C) The Audit Opinion is that the financial propriety of Plas Ffancon Leisure Centre cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud resulted from control weaknesses. The main recommendations of the report are as follows:

- **When a refund is made, it should be ensured that the customer and the Duty Manager signs the receipt to confirm that the refund has been made and that it is valid.**
- **It should be ensured that officers log off the Gladstone MRM system when they are not using it.**
- **Every effort should be made to ensure that income that has not come in through the bank is recovered.**
- **A 'Banking Record Sheet' should be used and kept with the relevant officers signing it.**
- **It should be ensured that the sum of the float is correct in the ledger.**
- **The centre's staff should be aware of how to fill the TR34 form correctly and to use the correct short codes. Furthermore, it should be ensured that the subtotals between the TR34, paying in book and 'Z' reading are reconciled.**
- **Every TR34 form should be sent forward to the Income Assistant.**
- **It should be ensured that keys are kept where no unauthorised personnel can have access to them.**
- **It should be ensured that fire drills are held every three months in accordance with the Leisure Department's Fire and Evacuation Policy.**