

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

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Outdoor Facilities Income
Date of Issue:	22nd October 2018
Level of Assurance:	Limited Assurance

Report Distribution:	Assistant Director Commercial Services
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INTERNAL AUDIT REPORT

Green Spaces Management

Outdoor Facilities Income

Introduction

A routine internal audit of the procedures relating to the collection and recording of income arising from the operation of the Council's outdoor leisure facilities has recently been completed.

Scope and Objectives

The scope and objectives of the audit was to ensure that there are adequate procedures and controls operating over the various sources of income arising from the operation of the Council's outdoor leisure facilities. Areas reviewed during the audit included:

- Fees and charges
- Cash floats
- Issue and use of controlled financial stationery
- Banking of cash income and associated records relating to the miniature train in Queens Park
- Collection of income arising from the hire of the Council's outdoor leisure facilities including:
 - Lease of ponds and fishing licenses
 - Metal detecting and outdoor fitness licenses
 - Hire/lease of bowling clubs
 - Hire/lease of football pitches
 - Hire/lease of cricket pitches
 - Hire of open spaces for events
 - Hire of tennis courts
- Comparison of actual income/expenditure to budgets.
- Health and safety checks on pavilions and changing rooms.

Conclusion

The overall assessment of the controls in operation was assessed as giving **Limited Assurance** (Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed).

The overall assessment must be tempered by acknowledging that due to the level of income being nominal the **risk to the Authority is LOW**.

The findings together with recommendations to address the issues identified are highlighted in the following report.

Acknowledgement

The Auditor would like to thank officers within Green Spaces and Environmental Services for their assistance and patience during the audit.

Findings and Recommendations

Previous Audit Recommendations

1. During the previous audit (October 2013) 5 recommendations were made. A review of these recommendations established that 3 out of 5 recommendations had been completed to a satisfactory level. The 2 incomplete recommendations have been recommended as part of this audit. **See R2 and R6**

Fees and Charges

2. An annual review of fees and charges for outdoor recreation facilities was completed. This was reported to and approved by the cabinet on 13th March 2018. These were introduced from 1st April 2018.
3. The fees and charges were compared to the prices advertised on the CBC website and on the application forms relating to the activities. The following issues were identified:
 - The fees advertised for football pitch hire on the website and application forms had not been updated since April 2017.
 - The fees for the hire of the tennis courts advertised on the website and the fees being on the XN Leisure system (Queens Park Sports Centre) were not correct in comparison with the fees and charges as below

Location	Price	Time allowed
Fees and Charges 2018/19	£7.98	1 Hour
Council Website	£9.30	45 Minutes
(QPSC) XN Leisure system	£8.90	1 hour

- The fees advertised for the metal detector licenses on the website and application forms were not correct in comparison to the fees and charges for 2018/19
- The fees stated on the application form for the outdoor fitness licenses were not correct compared to the fees and charges for 2018/19

Recommendations	
R1	An exercise should be completed annually to ensure that all fees and charges being advertised on the website and on the application forms are updated in line with the fees and charges report (Priority: Low)
R2	It is essential that when fees and charges are reported and updated that all relevant departments are informed and that systems used are updated accordingly (including XN Leisure). (Priority: Low)

Cash Floats

4. An unannounced cash check was completed on the float used for the miniature train in Queens Park on 03/09/2018. It was identified that the number of tickets sold were not being recorded properly on a daily basis. On the day of the check the starting ticket had been recorded and the cash float was adequately reconciled.

Controlled Financial Stationary

5. The only controlled stationery used by outdoor leisure facilities is the train tickets for use on the miniature train. After a conversation with the Assistant Accounting Technician it was established that when the last batch of tickets ran out the Principal Green Spaces Officer of Operations (no longer at CBC) decided not to order new stationery and to use sequentially numbered raffle tickets purchased from a popular retail store.
6. It was identified that family tickets for the miniature train were still available however were not being used as the Principal Green Spaces Officer of Operations (no longer at CBC) decided that family tickets were no longer to be advertised or sold.
7. A total of 20,000 family train tickets were purchased. 1,224 have been used, 8,776 were confirmed as being stored in the train station building and 10,000 could not be found at the time of the audit. The Support Services Officer (who collects the stationery) is under the opinion that they had been used however no regular record of tickets sold is retained so this could not be confirmed.
8. Currently there is no regular record of tickets being used for the miniature train and no reconciliation between tickets sold and income received.

Recommendations	
R3	Consideration should be given to reordering controlled financial stationery to be used for the train. (Priority: Low)
R4	It is essential that a monitoring system is reintroduced to the mini train income, this should include the daily recording of ticket numbers, Reconciliation of tickets sold to income received and management checks being completed on a regular basis. (Priority: Medium)

Miniature Train Income

9. During the audit a review of income procedures for the miniature train in Queens Park was completed. It was identified that the train has been open 5 days per week during the school summer holidays (closed on Tuesdays and Wednesdays). Income received is being banked daily through the Queens Park Sports Centre.
10. A conversation with the Seasonal Train Driver established that there is no procedure for recording ticket numbers or for completing reconciliation of sales income at the end of a shift. It was evidenced that some ticket numbers had been recorded (5 days out of 20 had ticket numbers written down in the raffle book). **See R4.**

11. Testing of the train income established the following:
- All recorded income had been correctly banked and evidenced within the FMS.
 - For the 5 days where ticket numbers were recorded reconciliation was completed, a minimal variance was identified:

Tickets Used	Estimated income	Actual Income	Variance
504	£1,008.00	£1,004.00	£4.00

- No further testing could be completed due to lack of controls. **See R4.**
12. It was established that no independent management checks were being completed on the Miniature Train income. **See R4.**

Ponds and Fishing Licences

13. The Council no longer issues fishing permits and the five fishing ponds on its land are operated by Angling Clubs. The agreements in place for the operation of these facilities are administrated by Kier (Asset Management) and a review of these revealed the following:
- At the time of the audit 2 licenses had expired (Holmebrook Valley Park and Ringwood Park), these are currently in the process of being renewed.
 - For 2017 it was satisfactorily confirmed that the correct amounts had been invoiced and paid for each site with the exception that the VAT treatment of the invoice for the licence on Ringwood Park and McGregors Pond. **See R6**
 - The income in relation to McGregors Pond and Sheepbridge Reservoirs is coded to the relevant trading estate cost centres on the agresso system and to rent accounts instead of fishing accounts.

Metal Detecting and Outdoor Fitness Licenses

14. The council issues metal detecting and outdoor fitness licenses on an annual basis. These licenses only allow these activities on specific council land listed in the terms and conditions. A conversation with the Green Spaces Development Team Leader established that there is no record of licenses issued and that the licenses themselves are printed on plain A4 paper.
15. 5 Metal Detector Licenses were tested from the FMS (10 issued between March 2018 and September 2018). All 5 licenses could be confirmed to application forms. As no further records are retained no further testing could be completed.
16. A review of the FMS identified 7 Fitness licenses issued in 2017 and 0 in 2018. Only 2 application forms could be found at the time of the audit. As no further records are retained no further testing could be completed.
17. It was established that no follow up calls are completed at the expiration of either metal detecting licenses or outdoor fitness licenses. It was identified that Manda Crofts Fitness was still advertising outdoor fitness sessions for October 2018 after the license expired in May 2018.

18. It was identified that both licenses are not being processed with consistent VAT treatment. All outdoor leisure licenses are VAT applicable.

Recommendations	
R5	It is essential that a monitoring system is put in place around the Metal Detector and Fitness Licences to ensure that all licenses are paid for, recorded correctly and followed up when expired. Potentially using controlled stationery for licences. (Priority: Medium)
R6	It is essential that the correct VAT rates are used for all licenses issued. (Priority: Medium)

Bowling Clubs

19. Since the previous audit the Queens Park Bowls Club is no longer being used. The club using the premises disbanded and in the same year the clubhouse was burnt down.
20. A review of current bowling club leases established the following:
- 2 bowling clubs (King George V and Stand Road Park) are on long term leases
 - 2 bowling clubs (Eastwood Park and Broom Gardens) rent the bowling green exclusively on an annual basis
 - The bowling fees charged to Eastwood park were higher than the fees and charges for the year.
 - The bowling fees for broom gardens were lower than the fees and charges. It was established that this was due to the bowls club already owning the clubhouse. Only the green is being rented out.

Recommendation	
R7	It should be ensured that all bowling charges comply with fees and charges for the year. (Priority: Low)

Football Pitches

21. The hire of council football pitches is organised by the Green Spaces Development Team Leader. A contract of terms and conditions, including the price being charged is signed by the team manager and then the charges are invoice via Agresso FMS.
22. A review of Invoices for football pitches established the following:
- All invoices issued in 2017/18 have been paid in full apart from FC Brimington. FC Brimington's Booking for 2018/19 has been placed on hold until the arrears have been paid.
 - All invoices for 2018/19 have been prepared. All but 2 have been issued to the teams.
 - FC Brimington due to arrears
 - North Derbyshire Youth Football League still have to sign the terms and conditions contract before the invoice can be issued.
 - Recalculation of the Invoices issued established that multiple small errors were made however the total of these issues was £22.05, It was also identified that

Chesterfield Ladies FC had been charged the incorrect amount for accommodation totalling £123.90, after a conversation with the Green Spaces Development Team Leader this is now going to be corrected and reissued with the correct charges.

Cricket Pitches

23. In previous years the Queens Park cricket pitch was rented on to Chesterfield Cricket Club on an annual basis, Currently the council is in process of agreeing a lease for the cricket pitch and facilities to the Chesterfield Cricket Club.
24. A review of all other Cricket invoices for 2017/18 and 2018/19 was completed. These were calculated correctly and paid in full.
25. Since the previous audit the agreement with Derbyshire County Cricket was updated (July 2015) The new agreement means that no income is received from the events and that the council issues a grant to the Derbyshire County Cricket Club
26. On 21st July 2015 Cabinet approved that the Council enter in to a new five year agreement with Derbyshire County Cricket Club Ltd (DCCCL) to bring first class cricket to Chesterfield at Queens Park in the shape of the annual Cricket Festival. The Council mainly subsidises this event in the form of a grant to DCCCL and covering some of the indirect costs. In the previous agreement a share of bar income was included however this has been removed from the new agreement.

Tennis courts

27. The Hawksley Avenue Tennis club was leased to Chesterfield Lawn Tennis Club Ltd in January 2005 on 99 year lease. The council currently receives £5000 per annum.
28. The tennis courts at Queens Park are administered by the Queens Park Sports Centre. Income is collected via reception and banked with the rest of the QPSC banking. A review of the income received established the following:
 - Leisure direct debit members get free access to the tennis courts
 - The rate being charged for tennis usage through the QPSC is incorrect in comparison to the approved fees and charges **See R2**

Outdoor Events

29. Sites operated by Green Spaces Section can be hired for a variety of other events for example Fun Fairs, use of community rooms, sporting events etc.
30. Sampling of events within a 2 week period (02/07/2018 – 15/07/2018) was completed, the following was identified:
 - The fees and charges for event hire are not clear on charges to be used. Where an event is being organised many of the fees and charges prices conflict with each other for example:

- Staveley Armed Forces Veterans Associations held an event for armed forces day. According to the fees and charges this could be classed as either listed below

Community Event	£25 per day
Rental of Recreation Ground	£250 per day

- A review of the fees charged for events in the period were deemed as reasonable however it was also identified that negotiation in regards to prices is taking place to ensure competitive prices. It was identified that negotiation on prices was not approved unless for events for over 500 people.

Recommendation	
R8	Consideration should be given to reducing the number of fees and charges in relation to events and the hiring of recreation grounds and ensuring that negotiation is allowed on event fees where necessary. (Priority: Low)

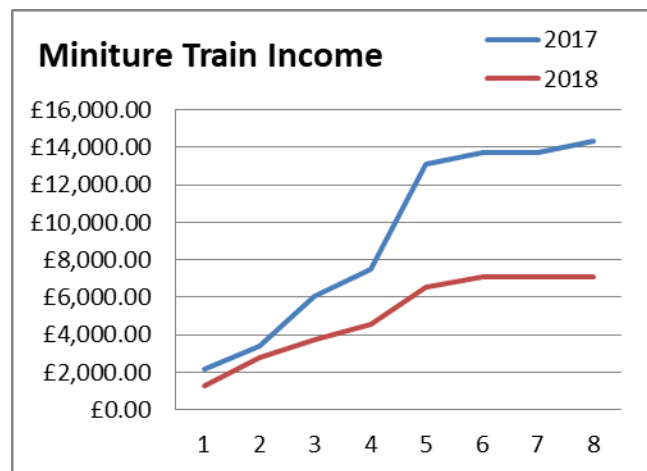
31. Further testing of a Circus and Funfair was completed. It was identified that the 2 events held within within September had not yet been invoiced

Recommendation	
R9	Consideration should be given to raising invoices prior to the events to ensure payment in a timely manner. (Priority: Low)

Comparison of income and expenditure

32. A comparison of actual income and expenditure to budgets was carried out for 2016/17, 2017/18 and to the end of period 5 in 2018/19. Any significant negative variances (over 5%) were investigated and satisfactory explanations identified. However the following issues were identified:

- 87% of the income received for King George V Fields in 2017/18 was a recharge to Staveley Town council for maintenance. This is still to be invoiced for 2018/19
- Currently no income has been received in relation to North Lodge (Fredericks Café) since September 2017 as no bills were issued after the lease expired. Kier are currently in negotiation to agree a further lease which will include the back pay of rental income.
- It was identified that income in relation to the miniature train has significantly reduced in 2018/19 in comparison to previous years as detailed. It was identified that the train was closed 2 days per week this year. The train has now been sent away for maintenance and will not be used again this year.



Health and safety checks

33. A review of the health and safety checks on outdoor facilities building was completed. It was established that all buildings were included in the schedule and that the following visits were being completed on a regular basis:
- General building condition and water temperature checks completed monthly
 - Flush water system completed quarterly
 - Disinfection of the system completed 6 monthly
 - Risk assessment completed every 3 years

Appendix 1

Internal Audit Consortium Opinion Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Internal Audit Report – Implementation Schedule

Report Title:	Outdoor Facilities Income	Report Date:	22nd October 2018
		Response Due By Date:	12th November 2018

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	An exercise should be completed annually to ensure that all fees and charges being advertised on the website and on the application forms are updated in line with the fees and charges report.	Low	yes	Green Space Develo pment – Team Leader	1/3/19			This will form part of the formal objectives for the post holder in the future
R2	It is essential that when fees and charges are reported and updated that all relevant departments are informed and that systems used are updated accordingly (including XN Leisure).	Low		Sarah Poulton	1/3/19			This will be noted in Sarah’s Electronic diary, and undertaken annually. Subject to the fees having been agreed for that year, if there are any issues with the agreements the implementation date will need adjusting accordingly see above

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R3	Consideration should be given to reordering controlled financial stationery to be used for the train.	Low	yes	Gary McCarthy	1/4/19			It is apparent that a review of the operation of the miniature train are required for the spring/summer season of 2019, this will be part of that process. A procedural review of the miniature train will be carried out and this will form part of the new procedure.
R4	It is essential that a monitoring system is reintroduced to the mini train income, this should include the daily recording of ticket numbers, Reconciliation of tickets sold to income received and management checks being completed on a regular basis.	Medium	yes	Gary McCarthy And Sarah Poulton	1/4/19 an ongoing.			It is apparent that a review of the operation of the miniature train are required for the spring/summer season of 2019, this will be part of that process. See above
R5	It is essential that a monitoring system is put in place around the Metal Detector and Fitness Licences to ensure that all licenses are paid	Medium	yes	Sarah Poulton	28/2/19			a management plan will be completed to address this

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
for, recorded correctly and followed up when expired. Potentially using controlled stationery for licences.							issue.
R6 It is essential that the correct VAT rates are used for all licenses issued.	Medium	yes	Sarah Poulton	28/2/19			Closer working with Finance will take place to ensure a consistent approach to the application of VAT.
R7 It should be ensured that all bowling charges comply with fees and charges for the year. (Priority: Low)	Low	yes	Gary McCarthy and Sarah Poulton	30/6/19			A lot of work has been carried out with the Bowling Clubs to agree equitable fees and charges. This has included devolving some maintenance responsibilities to the Clubs which will free up capacity for staff to carry out income generation works. We will ensure that the revised fees and charges

Recommendations	Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
			Officer	Date			
							correlate.
R8 Consideration should be given to reducing the number of fees and charges in relation to events and the hiring of recreation grounds and ensuring that negotiation is allowed on event fees where necessary.	Low	yes	Gary McCarthy and Sarah Poulton	30/6/19			This will be reviewed as part of the Fees and Charges setting for 2020.
R9 Consideration should be given to raising invoices prior to the events to ensure payment in a timely manner.	Low	yes	Gary McCarthy Sarah Poulton and Lynn Hind				Agreed.

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

Signed Head of Service:		Date:	
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Note: In respect of any High priority recommendations please forward evidence of their implementation to internal audit as soon as possible.