

Oxford City Council

Sports Pitch and Facility Bookings

Internal Audit Report
2014/2015
March 2015

Contents

1. Executive summary	3
2. Detailed current year findings	5
Appendix 1: Basis of our classifications	15
Appendix 2: Terms of Reference	17
Appendix 3: Limitations and responsibilities	20


Distribution List

For action	Ed Bonn, Parks Support Officer Emma Burson, Finance Business Partner Ian Brooke, Head of Leisure, Parks & Communities
 For information	Nigel Kennedy, Head of Finance Tim Sadler, Executive Director - Community Services Jackie Yates, Executive Director - Organisational Development & Corporate Services Peter Sloman, Chief Executive

This report has been prepared by PwC in accordance with our engagement letter dated 1 July 2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

1. Executive summary

Report classification	Total number of findings					
	Critical	High	Medium	Low	Advisory	
 Medium risk (15 points)	Control design	0	0	2	3	0
	Operating effectiveness	0	0	2	0	0
	Open prior year findings	0	0	0	0	0
	Total	0	0	4	3	0

Summary of findings:

We reviewed the design and operating effectiveness of controls and processes in place relating to Sports Pitch and Facilities Booking. In 2013/14 sport pitch and facility bookings generated total income of £109,402 and budgeted income for 2014/15 is £119,070.

We found **four medium risk** issues relating to the following:

- Invoice accuracy – we tested a sample of 25 bookings and found a number of errors in the amount charged and the VAT added to the invoice. We were also unable to obtain evidence of payment for 2 invoices and found that 2 bookings were recorded in error.
- Segregation of duties –many of the tasks involved in the booking, invoicing and payment are being undertaken by one member of staff resulting in a lack of segregation of duties as well as a high level of dependence on this particular member of staff.
- Banking of cash and cheques –the banking form which is sent to finance for reconciliation to actual payments was not accurately completed in 2 out of 5 samples tested.
- Compliance with financial regulations – the invoicing procedures in place have not been agreed or signed off by the Head of Finance as required by the Council's financial regulations.

We also identified three **low risk** issues relating to:

- Aged debt – there is no process in place for recording action taken to recover outstanding debt.
- Invoicing of bookings – there is no process in place to identify bookings which have not been invoiced.
- Online payments - when payments are made online, the bookings team have no way of knowing that a payment has been made without receiving confirmation from the customer.

The Council acts as the host authority for the Oxfordshire Sports Partnership (OSP). OSP is made up of 6 members who represent and support key partners in providing sport and active recreation opportunities in Oxfordshire. We considered the governance arrangements in place within the OSP and found them to be robust with clear representation from the Council and arrangements for the escalation of financial or operational issues.


Overall we found a number of control design and operating effectiveness issues around sports pitch and facility bookings. Since sharing the findings of our review, an action plan has been drawn up to migrate the invoicing process to Agresso. This will address many of the control weaknesses identified.

The Council should also consider implementing an online booking system for its services which should include sports bookings. Our system specialists can share insight on how they have supported the successful implementation of similar systems elsewhere if required.

The overall risk has been assessed as medium.

2. Detailed current year findings

1. Operating effectiveness – Invoice accuracy

Finding		
<p>When a sports facility booking is made it is logged on a master spreadsheet maintained by the Parks Support Officer and an invoice is raised. The invoice is raised manually using a proforma and prices are based on those published on the Council's website.</p> <p>We tested a sample of 25 bookings made and found the following:</p> <ul style="list-style-type: none"> • There was a small difference (£10 or less) between the price charged and the price as per the Council's published list for 5 out of 25 samples. The price charged in all 5 of these cases was slightly less than what was on the price list and upon investigation we found no evidence to explain this difference. • The VAT charged on the invoice was incorrect for 4 out of 25 samples, although the value of the difference was small in all cases. • 2 of the 25 invoices had been marked as paid however we were unable to obtain evidence that these had been paid. • For 2 out of the 25 samples tested the bookings were not actually made but were assumed bookings based on the customer's previous bookings. In one of these cases the booking was invoiced, this was subsequently cancelled. 		
Risks		
Loss of Council income and customers are invoiced inaccurately with errors in both price and VAT.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium 	<p>An action plan is in place to transition to corporate financial processes whereby all invoices will be raised in Agresso, and customers signposted to ways to pay. This will ensure the most efficient and effective way of invoicing is utilised depending on customer and frequency of booking.</p> <p>Ensure that the fee sheet for sports bookings includes Net, VAT and Gross amounts, to eliminate errors caused by incorrect calculation of invoice amounts.</p> <p>No longer take cash and cheques at the Parks Office, implementation will take some months, but with the aim of being cash and cheque less by September.</p>	Emma Burson, Finance Business Partner Ed Bonn, Parks Support Officer Target date: 1 April 2015 1 September 2015

2. Control design – Segregation of duties

Finding

One member of staff (the Parks Support Officer) is responsible for all of the following tasks:


- Recording bookings
- Invoicing customers for bookings
- Receiving and counting cash
- Completing the banking from to send to finance
- Taking payments over the phone
- Monitoring payment of invoices.

There is a lack of segregation of duties in the booking, invoicing and payment process.

Risks

There is a risk of fraud or error which could lead to a loss of income. Operational issues may arise as a result of loss of key member of staff.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium 	<p>With all invoices being raised in Agresso, this removes the need for collection of payment at the depot. There will be segregation of (1) taking bookings, (2) invoicing teams and (3) receipt of payment.</p> <p>The Booking spreadsheet maintained by the Parks Support Officer can be used to cross-reference against invoices to identify teams which haven't been invoiced.</p>	<p>Emma Burson, Finance Business Partner Ed Bonn, Parks Support Officer</p> <p>Target date: 1 April 2015</p>

3. Operating effectiveness – Banking of cash and cheques

Finding

All cash and cheque payments received by the sports team are collected for banking by the Council's cash collection agency, Jade Security. The sports team send banking sheets to the Finance team who have details of the general ledger codes to which income should be posted and the amount which they should expect to receive. The banking sheet is kept in a folder until it has been matched to payments coming into the bank.

We tested a sample of 5 banking sheets and agreed the amounts to bank statements. We found the following:


- In 1 of the 5 samples, the amount on the banking sheet did not agree to the amount on the bank statement. The amount actually received was approximately £125 more than what had been counted by the sports bookings team.
- In 1 of the 5 samples tested, the banking sheet had showed a value of approximately £1,800 in cash which Finance were expecting to receive. This was incorrectly entered on the form as the cash had not actually been collected by Jade Security.

63


Risks

The banking form is not accurately completed leading to variances in cash received compared to what is expected.
A build-up of cash at the sports booking office increasing the risk of loss due to theft.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium 	With the introduction of Agresso invoicing, and signposting of payments via normal routes this should negate the need to collect cash and cheques at the depot.	Ed Bonn, Parks Support Officer Emma Burson, Finance Business Partner
	<i>Note that in the case of the £1,800 difference above, it was investigated by the Council and was subsequently received on 26/01/2015.</i>	Target date: 1 April 2015

4. Control design – Compliance with Financial Regulations

Finding		
<p>The Council’s financial regulations state that the Head of Finance is responsible for ensuring that systems are in place to ensure that all income is identified, collected, receipted and promptly banked.</p> <p>The sports bookings team do not use the main financial system, Agresso, for invoicing. The alternative procedures adopted have not been agreed or signed off by the Head of Finance.</p>		
Risks		
Non-compliance with the Council’s financial regulations.		
Action plan		
Finding rating	Agreed action	Responsible person / title
<p>Medium</p> 	<p>The use of Agresso for sports bookings will be implemented.</p> <p>Sports pitch and bookings guidance note will be drafted in conjunction with the Service Area and approved by the Head of Finance.</p>	<p>Emma Burson, Finance Business Partner</p> <p>Target date:</p> <p>1 April 2015</p>

5. Control design – Aged debt

Finding

When an invoice is raised it is saved in an electronic folder entitled 'Unpaid Invoices'. Once the invoice has been paid, the invoice in question is re-located to another folder entitled 'Paid Invoices'. No other list of outstanding debt is maintained.


Invoices outstanding for long periods will be chased up by the sports bookings team; this is usually done over the phone. Details of action taken to recover the debt are not logged. We tested a sample of 5 outstanding invoices and were unable to obtain details of any specific action taken to recover the debt.

All invoices in our sample had been outstanding for over 150 days.


Risks

Appropriate action required for debt recovery is not taken, or documented leading to a loss of income.

Action plan

Finding rating	Agreed action	Responsible person / title
Low 	<p>When invoices are raised on Agresso, any outstanding debt is the responsibility of Finance to recover, who may require assistance/further information from the Service Area.</p> <p>The Finance team circulate a monthly debtor's spreadsheet from Agresso, highlighting all outstanding invoices. This spreadsheet will enable staff to cross-check outstanding invoices .</p> <p>Further training to be given to Parks Support Officer for reports that can be run to show whether a payment has been made.</p>	<p>Ed Bonn, Parks Support Officer Emma Burson, Finance Business Partner</p> <hr/> <p>Target date: 1 April 2015</p>

6. Control design – Invoicing of bookings

Finding		
There is no way of confirming that all bookings made have been invoiced. All bookings are logged in the bookings spreadsheet which is in a calendar format and there is nothing to indicate that these have been invoiced.		
Risks		
Bookings are not invoiced which could lead to a loss of income.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low 	Investigate introduction of booking software to allow confirmation that bookings have been invoiced. This will be considered as part of a wider review of online booking across the Council's services.	Ed Bonn, Parks Support Officer Emma Burson, Finance Business Partner
96	The usage of Agresso to invoice sports teams will ensure that teams invoiced for bookings can be cross-referenced against the sports booking spreadsheet, to identify teams which haven't been invoiced.	Target date: 1 April 2015

7. Control Design – Online payments

Finding

The Council is increasingly moving customers towards online or electronic payment options for services and sports booking customers do currently have the option of paying invoices online.


Because the invoice references for sport bookings are not in line with the references used by finance (as invoices do not currently go through Agresso), when payments are made online the bookings team have no way of knowing that a payment has been made without receiving confirmation from the customer. The money in question is categorised as “Miscellaneous” by finance in the first instance, then allocated to the correct Cost Centre and Account Code upon confirmation from the customer that the payment had been made. In practice, online payments have been kept to a minimum for the above reasons.

Risks

Payments by cash and cheque increase risk of loss or theft.

Efficiencies available through increased use of electronic online payment options are not achieved.

Action plan

Finding rating	Agreed action	Responsible person / title
Low 	<p>A more practical solution to taking online payment should be implemented.</p> <p>The move to invoicing on Agresso will assist with matching online payments to invoices.</p> <p>An online booking system as discussed above would also help manage the increasing use of online /electroinc payment options.</p>	<p>Ed Bonn, Parks Support Officer Emma Burnson, Finance Business Partner</p> <p>Target date: 1 April 2015</p>

Appendix 1: Basis of our classifications





Individual finding ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Critical</i> impact on operational performance (quantify if possible); or • <i>Critical</i> monetary or financial statement impact (quantify if possible = materiality); or • <i>Critical</i> breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • <i>Critical</i> impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Significant</i> impact on operational performance (quantify if possible); or • <i>Significant</i> monetary or financial statement impact (quantify if possible); or • <i>Significant</i> breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • <i>Significant</i> impact on the reputation or brand of the organisation (quantify if possible).
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Moderate</i> impact on operational performance (quantify if possible); or • <i>Moderate</i> monetary or financial statement impact (quantify if possible); or • <i>Moderate</i> breach in laws and regulations resulting in fines and consequences (quantify if possible); or • <i>Moderate</i> impact on the reputation or brand of the organisation (quantify if possible).
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Minor</i> impact on the organisation's operational performance (quantify if possible); or • <i>Minor</i> monetary or financial statement impact (quantify if possible); or • <i>Minor</i> breach in laws and regulations with limited consequences (quantify if possible); or • <i>Minor</i> impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

66

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 2: Terms of reference

Sports Pitch and Facility Bookings

To: *Ian Brooke, Head of Leisure, Parks & Communities*

From: *Kate Mulhearn, Internal Audit Manager*

This review is being undertaken as part of the 2014/15 internal audit plan approved by the Audit and Governance Committee.

Background

Oxford City Council (“the Council”) has a Sports Bookings team which amongst many other duties are responsible for handling bookings, setting fees and charges, invoicing customers and maintaining the facilities. Income is generated from hiring out the sports facilities and providing maintenance services.

In 2013/14 sport pitch and facility bookings generated total income of £109,402 and budgeted income for 2014/15 is £119,070.

In addition, the Council acts as the host authority for the Oxfordshire Sports Partnership (OSP). OSP is made up of 6 members who represent and support key partners in providing sport and active recreation opportunities in Oxfordshire. As the host authority, the Council operates under the oversight of the Executive Board for day to day management.

OSP had total income of £1,102,633 in 2013/14 and has a budget of £1,056,446 income in 2014/15. Income is generated predominantly from grants; however other services such as events, workshops and joint initiatives with partners also contribute income.

This review aims to focus primarily on the key controls over income generated from Sports Pitch and Facility bookings. The review will consider controls relating to the invoicing of income, the reconciliation of income to the main accounting system, the recovery of income and the budget setting process. The review will also consider the governance arrangements within OSP.

Scope

We will review the design and operating effectiveness of key controls relating to Sports Pitch and Facilities bookings during the period 2014/15.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Reconciliation of income	<ul style="list-style-type: none"> • Designated ledger codes are in place for income generated from sports facility and pitch bookings. • Income is transferred to the main accounting system completely, accurately and efficiently.
Invoicing	<ul style="list-style-type: none"> • All bookings are invoiced accurately and in a timely manner.
Recovery of Income	<ul style="list-style-type: none"> • The Council appropriately monitors all unpaid debt and actively tries to recover the debt.
Cash Payments	<ul style="list-style-type: none"> • Procedures for taking and recording cash payments are adequate. • Cash held is appropriately safeguarded.
Budget Setting	<ul style="list-style-type: none"> • Review the structure of the budget for sports facility income and costs and compare to best practice.
Governance arrangement for Oxfordshire Sports Partnership	<ul style="list-style-type: none"> • The governance structure of the Oxfordshire Sports Partnership is appropriate and in line with the Council's financial regulations. • Financial and operational performance is monitored and discussed by senior management.

Limitations of scope

The scope of our work will be limited to those areas outlined above.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the process and controls relating to Sports Pitch and Facility bookings through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks relating to Sport Pitch and Facility bookings;
- Evaluate the design of the controls in place to address the key risks;
- Test the operating effectiveness of the key controls.
- Review the governance arrangements for Oxfordshire Sports Partnership and provide insight into opportunities to strengthen these as appropriate.

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Kate Mulhearn	Internal Audit Manager
Anjm Shahbaz	Audit Team Lead

Appendix 3: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Sports Pitch and Facility Bookings, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the Sports Pitch and Facility Bookings review is for the 2014/15 year.

Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.