



Internal Audit Review of

**Cash Processes and Sportsoft Procedures at
Craven Swimming Pool and Fitness Centre**

May 2013

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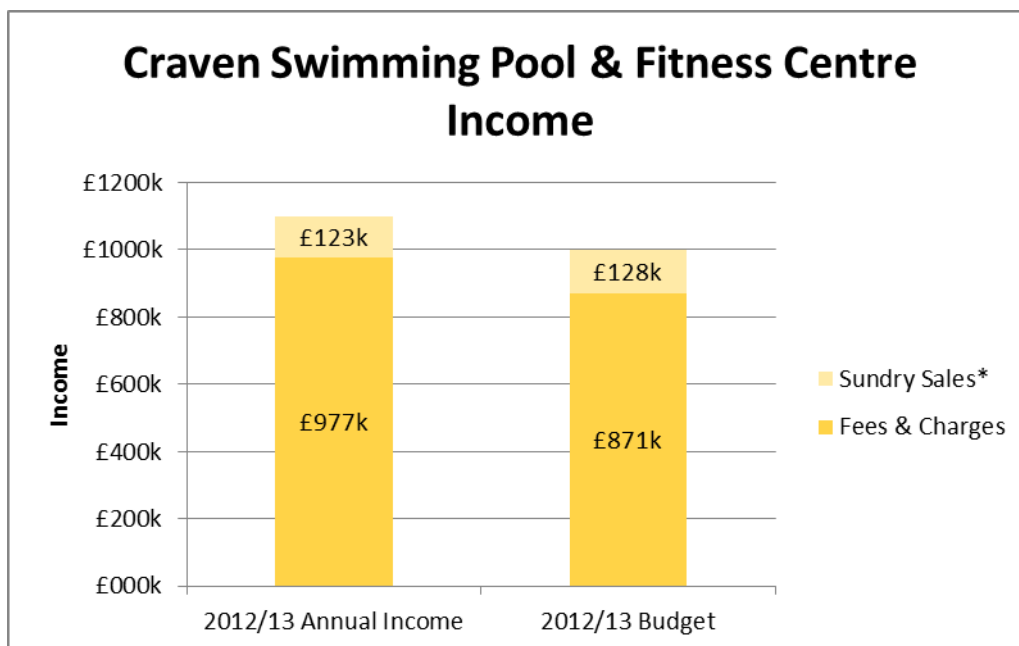
1. Background

1.1 This audit has been undertaken as part of the annual audit plan for 2012/13 but also includes relevant findings and comments relating to initial audit work completed in 2010/11.

- 1.2 Craven Swimming Pool and Fitness Centre is based in Aireville Park and offers:
- The largest Swimming Pool in Craven + 1 teaching pool with a movable floor
 - A state of the art 68 station Fitness Suite
 - A Health Suite consisting of a Steam Room and Sauna
 - A Dance Studio for a varied range of aerobic exercise classes
 - A 14 hole Pitch and Putt Course
 - A Multi Use Games Area that consists of 2 tennis courts

Currently approximately 1400 members pay to use the facilities, 55% of which come from Skipton and 45% from Pendle, Leeds and Settle.

1.3 The swimming pool currently collects approximately £1.1million in income per annum, as outlined below:



*Sundry Sales includes income from merchandising, vending machines and the café

1.4 Membership rates are reviewed annually for all new members, whilst existing members pay for a life membership at the prevailing annual rate in place at the time they joined. This rate will never change so long as they renew their membership, which means that under this Loyalty Scheme many members pay numerous different membership rates.

- 1.5 The physical collection of cash from the site is undertaken in two ways:
(a) all notes and cheques are collected via G4S
(b) all coins are collected by the Car Parking Service and amalgamated into their count.
- 1.6 Due to the high levels of cash involved, Senior Management and Council Members at Craven District Council require assurance that cash collection practices at the Swimming Pool are well controlled to reduce the risk of fraud or error. Controls are in place to ensure there is a clear distinction between what constitutes car park income and what has been generated from the Leisure Centre.
- 1.7 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the Council's objectives. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.8 As part of this review Internal Audit undertook a walkthrough of the system, which has identified the following Key Control Objectives:

The Sportsoft system is being used to its full capacity and in the most efficient manner

Value for Money is being achieved from the collection method used to take Direct Debit payments

Memberships are being monitored to ensure they are maximising income levels

Online booking arrangements are fit for purpose

IT Provision on site is sufficient

Cash counting procedures are robust and all income has been accounted for correctly

Refunds are actioned by appropriate personnel

Adequate segregation of duties exists between the collection and banking of income

Nominal ledger is reconciled to on site banking records

- 1.9 This report contains our findings together with recommendations that should enable Craven Swimming Pool & Fitness Centre to operate in a more effective and efficient way.

- 1.10 This review has been completed from interviews with key members of staff employed at the Swimming Pool, and with relevant individuals within the Finance team. The administrator for Harrogate Borough Council's Leisure Services membership system (the same system used at Craven's Swimming Pool) has also visited the site to determine whether Craven are using its systems to their full potential.
- 1.11 This review has been conducted by Kim Betts (Principal Auditor) and Shaf Ahmed (Finance Trainee). Internal Audit wishes to thank all staff for their full co-operation during their interviews, which has allowed this report to be produced.

2. Internal Audit Opinion

2.1 Based on the interviews conducted, testing undertaken and observations made, it is our opinion that:

- Craven Swimming Pool & Fitness Centre has insufficient administrative hours available each week
- No-one on site fully understands how Sportsoft works or has been set up. A dedicated Sportsoft administrator is therefore required, which should also assist Craven Swimming Pool to maximise its income opportunities
- Staff and Management do not understand how the EPOS (Electronic Point of sale) till works, which has led to some of the cashing up discrepancies
- A segregation of duty needs to be put in place between the member of the reception staff who accepts payments on the main counter as well as cashes up and banks the income. Current procedures place her at risk of being accused of misappropriating income
- Not all credit & debit card transactions are being processed through the tills, resulting in discrepancies when cashing up at the end of the day.
- A more formalised procedure needs to be introduced whereby any cashing up discrepancies are noted and, depending on their value, notified to Senior Management for further appropriate action
- Staff must not cash up on the main counter in view of the general public
- The Pool Manager will need clarification as to whether the changes resulting from the new Countywide Civil Parking Enforcement will mean the car park team based at Belle Vue Square no longer collect income from the site.
- Login details should not be shared in line with the Council's IS Acceptable Use Policy
- There is insufficient IT support within the Council as no-one in IT has knowledge of the Sportsoft system. Furthermore no IT Support is being provided to the Swimming Pool and Fitness Centre during their extended opening hours (5:45am – 9:30pm Mon – Fri; 8am – 8pm Saturday; 9am – 8pm Sunday)
- Better signage is required at the site entrance to direct visitors to the Swimming Pool and Fitness Centre. A far greater number of icons should be shown on all

signs around the town to ensure the general public is fully aware of all the facilities that the Swimming Pool and Fitness centre has to offer.

3. Internal Audit Findings - Sportsoft

Background

- 3.1 Sportsoft is an IT system specifically used by Leisure Sites to assist with the running of memberships and the collection of cash via its EPOS tills. The system can also be used for direct debit payment collections and online bookings although the Pool does not currently use these functions.
- 3.2 Discussions with members of staff at the Pool have identified that no-one has a clear understanding of all the functions within Sportsoft and how it could be best utilised to maximise memberships and income. With this in mind, Internal Audit invited the Sportsoft Administrator for Harrogate Borough Council to the Pool for her to provide Audit with advice as to how it could be used. Our findings below are based on this visit.

Admin Arrangements

- 3.3 There is currently no dedicated system administrator in post to set up and maintain information within Sportsoft. This means no-one performs the following key tasks:
- Monitors memberships to ensure only current members are “live” and that age- related and other concessionary discounts still apply.
 - Reviews the membership history for all live members, which would provide better Management information.
 - Ensures consistent notes are added to individual accounts and that these identify an author. This would enable reception staff to have background information about a user so they can offer better customer service.
 - Monitors usage to ensure the types of membership offered are in line with the ways in which members use the pool and/or facilities.
 - Provides key management information to the Leisure Services Manager, which will allow more strategic decision-making and help to ensure that the pool is exploiting its income capabilities. Current membership levels are approximately 1400 but the Leisure Services Manager believes that the site has the capacity for at least an additional 200 new members. Using the current annual membership fee of £35 per month for a minimum 12 month period, this could potentially bring in an additional £84,000 gross income.
 - Monitors “sleeper” members, i.e. those that continue to pay each month by

direct debit but never use the facilities.

- 3.4 The latter point is very significant due to a change in the law that came into effect from 18th October 2010. At the time of writing this report the Leisure Services Manager confirmed that he is aware that he has members who are sleepers and that he does run a report to identify who they are. However no further action is ever taken as there are insufficient resources to complete this work and he was unaware as to how much these exposed the council to additional financial risk.

HBC's Sportsoft Administrator has informed the Leisure Services Manager that since October 2010 members can inform their bank that a Direct Debit payment has been taken in error because they are not using or receiving a service, and under the Direct Debit Guarantee rules the bank has to refund this money back to them straightaway. The bank will then issue instructions to the Direct Debit Originator under the Direct Debit Indemnity Scheme Rules and demand payment back to the bank within 14 days. There is no right to appeal. This issue is clouded slightly at Craven Pool as a third party manages the Pool's direct debit payments. However the Pool will ultimately lose income.

Management Response to this comment

There are approximately 200 sleepers within the membership, these are people that either forget that they are paying for a membership or 'can't be bothered to attend', with a membership yield of £25.00/month and has a potential to be as much as £60,000.

The Direct Debit indemnity has always been in place to protect customers by paying via direct debit for anything. However, all customers must sign an agreement that the agreements are for a specified period of time and then they 'roll over' on a continuous basis until cancelled by the customer.

Sleepers are a natural phenomenon within leisure and they will always be within a membership scheme.

Any recoveries are made by DFC who act on our behalf, this is something we would need to think about if/when we decided to migrate our memberships away from DFC.

- 3.5 Key administrator functions such as the posting of the annual price increases are performed by the Leisure Services Manager thus taking him away from his management duties, whilst the running of the daily lapsed members report is undertaken by the Gym Manager.
- 3.6 Within the Sportsoft system are the following pre-determined roles:
- Booking Operator
 - Access control
 - Memberships

- EPOS User
- Admin Role

3.7 When the system was initially set up, these should have been assigned to specific individuals to ensure that operation of Sportsoft could be controlled. However, when Internal Audit reviewed this set up, we identified that all users have been given full access to everything. This means that the cashier on the front reception desk can complete all of the following tasks:

- Open and close a shift on the till
- Control access to the gym
- Create and delete memberships
- Retrieve lapsed (i.e. cancelled) membership details and bring into live, (allowing them to edit the price and period without any management intervention)
- Create and void sales
- Take cash and give refunds via the EPOS till
- Complete all administrative tasks

3.8 The associated risks with this arrangement will be highlighted throughout this report but this weakness has been brought to management's attention so that they can review and reconfigure the system parameters.

3.9 When Internal Audit visited the site we were made aware that one member of staff who took cash at the front desk had locked herself out of the system under her own login since 18th March 2013. As no-one knew how to correct this, she has been using another member of staff's name and password. If an administrator was in post, this would have been corrected straightaway.

3.10 Furthermore Internal Audit identified that individuals are not closing down their shift every time they come to the end of their session on the front counter and in the gym, thereby allowing the next operator to use the same open shift to process any data. The administrator should be checking that all users have correctly opened and closed their shifts.

3.11 By reviewing the "back office" functions of Sportsoft, Internal Audit identified that no user has ever been forced to change their password since the introduction of the system. Since this audit, this has now changed.

Weaknesses and risks identified with the current arrangements

- 3.12 In our opinion no-one has enough detailed knowledge within the site to run Sportsoft correctly. The lack of an administrator is putting added pressure on the Leisure Services Manager and Gym Managers to perform some of the key tasks, however, as they have their normal day-to-day responsibilities they are not able to dedicate the time that is required to this function. The site does use one of the cashiers to act as the administration clerk for 2 days a week, but within this time frame she is also expected to perform all of the banking for the site which gives little time for anything else. The use of the cashier to act as an administrator also carries a major risk, which will be noted elsewhere in this report.
- 3.13 The lack of sufficient monitoring of memberships is of particular concern as we believe that Craven Swimming Pool & Fitness Centre is not working strategically enough to maximise its income levels. In our opinion, Craven could be losing out on a significant amount of income as follows:

1. Concessions could be awarded for too long. At present, anyone on state benefit is automatically allowed access for 92 days at a reduced rate but their right to benefit may not relate to the entire period. As no-one is monitoring this, the member of the public could be paying significantly less than they should be as seen in the following table. (prices quoted are as per the Pool website).

Activity	Full Price	Concessionary Price
Adult Swim	£4.05	£2.40
Sauna / Steam	£5.65	£4.25
Adult Fitness Suite	£6.00	£4.35
Induction	£16.00	£8.00
Gym or Swim Referrals	£45.00	£22.50
Loyalty Membership (12 month agreement)	£35.00	£26.25 (3 month minimum agreement)
Freedom Membership (1 month agreement)	£46.50	

2. Membership packages may not complement how the general public use the facilities, which could result in reduced income, e.g. users may prefer to use the pool and attend one of the dance classes but the membership packages on offer all include the Fitness Suite (gym). A system administrator would

be able to monitor this information for Management so that more strategic thinking could be undertaken to maximise memberships and income.

- 3.14 No work has been undertaken to review “sleepers”, i.e. those users who continue to pay by Direct Debit but are not using the facilities. This is because the relevant Direct Debit box has not been ticked on the Sportsoft system. This piece of work needs to be undertaken quickly to minimise any claims under the Direct Debit Guarantee scheme. To our knowledge, no claims have been received.
- 3.15 As all staff have been set up to perform all functions, there are no controls in place to prevent the same member of staff from:
- creating a membership then removing or altering the payment to £nil
 - changing a lapsed member to a renewal status without asking for payment
 - taking payment but refunding it straightaway (either to the individual or themselves)
 - Creating a false audit trail by accessing the “back office” function to log on as another member of staff to issue a refund then log back in as themselves.

Internal Audit cannot give any assurance to management that none of these have occurred in the past.

- 3.16 By using another member of staff’s login, the staff member is in breach of Section 5 of Craven’s Information System’s Acceptable Use Policy , which states:

“Do not use anyone else’s password” and “Do not disclose your password to anyone”.

- 3.17 Furthermore, by operating under another login, the user has created a false audit trail. All of the transactions that this member of staff has posted since 18th March 2013 will not be attributed to them, which means that if any prove to be fraudulent it will be impossible to identify and discipline the guilty party. The longer the operator uses the same password, the greater the risk that the control environment is weakened by other individuals knowing each other’s passwords.

Recommendations

- 3.18 A dedicated Administrator should be appointed, funding for which could come from issues noted further in this report. The administrator of this role would:
- Allow the Leisure Services and Gym Managers to undertake the tasks they are employed to undertake
 - Significantly improve the control environment of the system by ensuring

staff cannot perform tasks that could be fraudulent or alter the Audit trail

- Monitor the validity of all memberships (e.g. do concessions still apply, is a GP referral still valid)
- Provide a method by which the system is uploaded with details of sleepers paying by Direct Debit, thus allowing contact to be made with these members to prevent any large DD reclaims
- Provide management with key data on membership usage that could be used to maximise income levels
- Ensure staff are complying with the Council's Information System's Acceptable Use Policy by setting up tasks that ensure: passwords are changed every 30 days; shifts are closed and opened correctly; and no-one is logged onto the system as another user

3.19 Training is required to improve staff awareness on how the system should work. When she came to review how Sportsoft is working at Craven, the Administrator for Harrogate Borough Council commented that it is about 6 years behind where it should be. Under the umbrella of the collaboration agreement she has kindly offered to show the Pool staff how it operates in one of the Harrogate Leisure Centres as well as what she has to do within the "back office" functions. This offer should be accepted as it should encourage improvements to the way the system operates at Craven.

Summary of Sportsoft Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
A dedicated Administrator should be appointed	<i>The pool currently has 15hrs/week for an admin role to increase this to 37hrs will cost an additional £9,177 per annum (not including on costs). The pool review proposes increasing this to 20hrs/week, however this is dependent on other cost savings.</i>	Leisure Services Manager August 2013
Training on Sportsoft should be provided to staff by the administrator of Harrogate Borough Council's system	<i>The management team (and admin officer) attended a meeting (25/6/13) at Harrogate BC to learn about the system at their leisure centres.</i>	Leisure Services Manager July 2013

4. Internal Audit Findings – Direct Debits

Current Procedures

- 4.1 All Direct Debit payments are collected via an external third party called Debit Finance Collections PLC, who are based in Milton Keynes. Craven Swimming Pool is currently in year one of a three year contract.
- 4.2 When a customer signs up to pay by DD, they complete a Service Contract form which contains the Direct Debit instructions at the bottom. This ties the member into paying a minimum of 3 or 12 monthly payments. Approximately 1,400 memberships have signed up to pay in this way (approximately 88% of all memberships). At the end of the third or twelfth month period, the member is free to give a 30 day cancellation notice to opt out and pay by some other means, although few appear to take up this option.
- 4.3 The cost of using an external provider is £1.25 per direct debit instruction per month, which includes all debt recovery and default letters (although the HBC Sportsoft Administrator has assured Internal Audit that Sportsoft has the ability to do this). Therefore Craven Pool currently pays approximately £1,750 per calendar month or £21,000 per year for this service. At Harrogate Borough Council this is undertaken by the Administrator so control is kept in-house.
- 4.4 The Leisure Services Manager is now looking to run this either in-house or with a different provider in order to save costs. In order to do this, Craven Swimming Pool & Fitness Centre is in the process of acquiring its own unique Service User Number (SUN), which will allow them to collect money by Direct Debit straight into Craven District Council's bank account. By holding this number the costs significantly reduce to 75p per direct debit instruction or £12,600 per annum.

Weaknesses and risks identified with the current arrangements

- 4.5 The cost of the direct debit system is excessive. Furthermore, by handing this over to a third party Craven Pool are losing control of their own debts and how these are being handled.

Recommendations

- 4.6 Craven Pool should continue to request its own SUN required to operate the BACS service. Contact should be made with the current provider to identify whether the current arrangements could end early, and if so, whether this will incur any penalty charges. The money saved from bringing this in-house should be used to employ a dedicated administrator for the Sportsoft System, which in the long run should also increase income as noted in Section 3.

Summary of Direct Debit Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
<p>Consider ending the arrangement with Debit Finance Collections PLC early (subject to penalty clauses) and appoint an Administrator as outlined in section 3.</p>	<p><i>Due to the sleepers this may be too costly to implement despite the introduction of the new SUN (service user number). If we end this [the agreement with DFC] early it is likely that CDC and the Pool will lose up to £60k in income.</i></p>	<p>Leisure Services Manager April 2015 (unless they can be released from the contractual terms earlier)</p>
<p>Between now and the cessation of the contract with Debit Finance Collections, Management should reduce the number of sleepers in order to reduce any Financial risk to the Council</p>	<p><i>As above, sleepers are a natural part of leisure. If customers do highlight this we give them copies of their agreements and they accept that they have not adhered to the terms and conditions of the agreement. They usually end their agreement at this point and the council is at no risk of losing any income.</i></p>	<p>Leisure Services Manager November 2013</p>

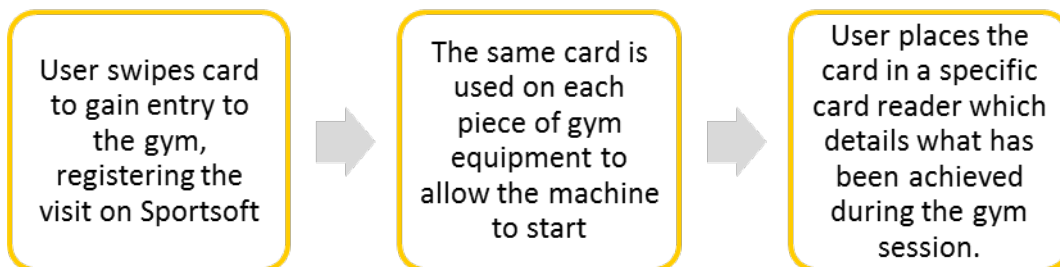
5. Internal Audit Findings – Gym Memberships

Current Procedures

5.1 At Craven Swimming Pool two separate systems are in operation for those users attending the gym only:

- One system relates to membership
- One system relates to the use of the gym equipment

Both operate using the same membership card, which contains a unique card number at the bottom that links the two systems together. The system works as follows:



5.2 This is an exceptionally well controlled environment as it prohibits non-members from using the gym equipment. There are however weaknesses as outlined below.

Weaknesses and risks identified with the current arrangements

5.3 Sportsoft is currently not being operated in the most efficient way because:

- When the user arrives at the gym and completes a workout, this information has to be manually input into Sportsoft to keep the membership records up to date
- Casual users can sign up and pay for Gym Membership directly with the Gym Manager or any member of staff who is on duty in that part of the building when they arrive for their mandatory induction. However, within the Gym there is only one computer that links to the “back office”. For this payment to be correctly processed it has to be put through a computer that is linked to the EPOS system. Consequently the Gym Manager has to re-input these through an EPOS till, thus doubling up processing time. This does not apply to those members who have signed up as permanent members.

- 5.4 This is an inefficient way of operating casual memberships as it means information has to be re-entered into a different system in order that payments can be correctly processed. The Gym Manager or member of staff may forget to process this through an EPOS till, which will result in a difference on the nominal report when cashing up that day's takings. This could explain some of the cashing up differences that have been encountered at this site.
- 5.5 The system currently permits unlimited usage to casual users of the gym, which potentially means a loss of income to the site. At present any non-member can request a pass for the Fitness suite for which they pay a £5 deposit. However the controls in place do not restrict access to the gym equipment for that day only, therefore allowing the individual to return on numerous occasions at no extra charge. This weakness is further exacerbated by the fact that there is no full-time Sportsoft Administrator to identify where this could be happening in order to prevent further abuse of the card.

Recommendations

- 5.6 There are several solutions to the control weakness identified in paragraphs 5.3 and 5.4:
- a) All inductees could be directed to the front desk so that their payment goes straight into the EPOS system and onto Sportsoft. However, the user could walk out of the gym without paying unless the member of gym staff goes with them.
 - b) An EPOS till specifically for the gym could be purchased at a one-off cost of around £150.
- 5.7 For the weakness identified in paragraph 5.5, Management must tighten controls by either only activating the card for 1 day usage or, if this is not technically possible, ensuring that the Duty Officer in the Fitness Suite removes the card from the individual before they leave.

Summary of Gym Membership Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
Consider either directing all inductees to the EPOS till to pay or purchase an EPOS till specifically for the gym	<i>The gym staff usually work in isolation and this would place them at risk if a customer suspected that monies are taken in the gym</i>	Leisure Services Manager August 2013
Investigate whether the day passes can be restricted to 1 day only. If this is not possible, introduce a control whereby the Gym Duty Officer has to remove the card from the non-member before they leave	<i>This is currently not possible with the current system but can be implemented with the new system upgrade</i>	Leisure Services Manager July 2013

6. Internal Audit Findings – Online Booking Arrangements

Current Procedures

- 6.1 Craven Swimming Pool offers approximately 60 classes within its Dance Suite including aerobic classes; Pilates; circuit training; Zumba and Spinning Classes. All of these are described very well on the website and the Leisure Services Manager is actively looking to add on-line videos to enhance the customer experience before they visit the site. All cost £5 per session for non-members, while members can attend the classes for free. No concessions are given for teacher led activities.
- 6.2 To book onto one or more of these activities, the individual has to contact the Pool direct so that a member of the reception team can manually note their name or membership number down on an A4 loose booking sheet. A limit has been set per class but additional names or numbers are taken and placed on a reserve list should a space become available.
- 6.3 The Leisure Services Manager has completed some analytical review on the use of the Dance Suite and has identified that the busiest time period occurs over the lunch break and between 5:30 – 6:30pm. He has also identified that Tuesday's are the busiest day for class attendance although an attempt to replicate similar classes on a different day to maximise usage has not been as successful as he had hoped.

Weaknesses and risks identified with the current arrangements

- 6.4 The current system is cumbersome and old-fashioned. When a space does become available, valuable staff time is spent contacting the first name on the reserved list to inform them they are now booked on. Unfortunately Internal Audit understands from a recent demo held by Sportsoft at Harrogate Borough Council that the current system prohibits the sending of text message or emails to a member should a class place become available so, until a new version of Sportsoft is released, the site will need to continue with its current arrangements.
- 6.5 As this process is manual, Management time is wasted analysing class attendance and frequency. If this information could be captured electronically it could better inform decision making and potentially identify new income streams. For example could a new membership type be introduced (at a new membership price) that would attract new members who only use the Dance Suite with say the swimming pool?

Recommendations

- 6.6 Sportsoft has confirmed at a recent demonstration that if a member or Pay As You Go member used the on-line booking system, the Leisure Services Manager would be able to monitor class usage electronically. We therefore recommend that the site actively looks to introduce this feature in the near future.
- 6.7 Sportsoft has also confirmed that payment can be taken at the time of booking for any Pay As You Go customers and Internal Audit would recommend that this option is taken up.
- 6.8 Finally, Internal Audit understands that, as a result of us introducing the Leisure Services Manager to Harrogate Borough Council's Application Support Officer, a good working relationship has begun to develop which has included an offer to visit Sports & Leisure premises in Harrogate to see the on-line booking system in action. We would recommend this happens as it will also allow both Harrogate and Craven Leisure staff to compare and contrast current working practices between the 2 authorities.

Summary of Online Booking Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
Sportsoft's on-line booking system should be introduced for all Pay As You Go customers	<i>Agreed – this can be done with the update to the system and commencement of the pool taking online bookings.</i>	Leisure Services Manager Sept 2013
Managers should increase their understanding of how the pool and gym are being used to aid future decision making.	<i>This is currently difficult due to paper based bookings. More data will be available to aid managers understanding when the pool moves to taking online bookings, including the ability to identify 'no-shows'.</i>	Leisure Services Manager Sept 2013
The Leisure Services Manager should take up the offer given by Harrogate Borough Council's Application Support Officer and visit Leisure Sites within the Harrogate District in order to determine whether any improved working practices can be put in place across both authorities.	<i>This issue was discussed at the meeting held at Harrogate BC on 15/6/13</i>	Leisure Services Manager July 2013

7. Internal Audit Findings – IT Provision

Current Procedures

- 7.1 The setting up of the Sportsoft system was completed by a member of staff who is no longer employed by Craven District Council and who left no instructions on how to use it. A discussion with staff on site has confirmed that no-one in the IT Department has any knowledge of this system either and therefore cannot support them when an issue occurs.
- 7.2 Internal Audit has also been informed that no IT support is available on any of their other systems outside of the council's normal working hours. As the Pool is open from 5:45am until 9:30pm there are significant periods where no IT facility is available to the site.
- 7.3 Due to network issues in the past, the ICT Shared Services Manager has permitted the Pool to have its own dedicated Sportsoft Server on site, which has sped up their access although not to the extent that they would have preferred.
- 7.4 Sportsoft has now contacted the Leisure Services Manager and offered to take all of the Membership information off of the Council's server and place it on their own. This is a move that Internal Audit would actively discourage due to the risks noted below.

Weaknesses and risks identified with the current arrangements

- 7.5 Craven District Council can provide no IT support to the Pool & Fitness Centre should Sportsoft malfunction nor does it provide adequate support on other systems for all hours that the Pool is open to the General Public.
- 7.6 If membership details are removed from the Council's server and placed with the Sportsoft provider instead, Craven Swimming Pool will lose all control of its membership data and will not be aware as to what the third party will be using it for
- 7.7 As personal data will be held by an external third party, the Pool will need to write to all members, including any "sleepers", explaining what is being held and why. This is a requirement of the Data Protection Act and there will obviously be a cost to Craven District Council in fulfilling this legal obligation.
- 7.8 Purpose 4 of the Data Protection Register supplied to the Information Commissioner's Office states that Craven District Council Swimming Pool is holding personal information relating to memberships. If this changes to a third party, the Information Commissioner must be informed; otherwise there is a risk of a potentially substantial fine.

- 7.9 Sportsoft would presumably charge a fee for the responsibility of holding this data.
- 7.10 The Contract between Sportsoft and Craven District Council will need to be amended and resigned as this will not include these proposed changes.

Recommendations

- 7.11 The Leisure Services Manager should contact the ICT Shared Services Manager to seek a way forward whereby adequate IT cover is offered to the site during opening hours.
- 7.12 If Craven District Council's ICT Shared Service is unable to support the Leisure site with its use of Sportsoft, the Leisure Services Manager should contact the ICT Director at Harrogate Borough Council (HBC) to determine whether HBC can offer the support required on an ad hoc chargeable basis.
- 7.13 If the server is running too slow or is failing in anyway, the ICT Shared Services Manager should be informed and a solution identified that protects the integrity of the data.
- 7.14 Craven Swimming Pool must retain its membership information on the servers of Craven District Council.

Summary of IT Provision Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
<p>The Leisure Services Manager must meet with the ICT Shared Services Manager and agree a way forward that ensures IT Provision for the Pool is adequate during opening hours.</p>	<p><i>Members have approved capital funding to upgrade IT provision for the Pool. The project is expected to be completed by March 2014</i></p>	<p>Leisure Services Manager March 2014</p>
<p>Where in-house expertise on Sportsoft is not present, the Leisure Services Manager in collaboration with the ICT Shared Services Manager should communicate with Harrogate Borough Council's ICT Director to determine whether assistance can be provided on an ad hoc chargeable basis.</p>	<p><i>Where shortfalls in understanding occur management will secure advice from the most appropriate supplier/provider (this may be another authority or the software company)</i></p>	<p>Leisure Services Manager July 2013</p>
<p>CDC should retain membership information on its own servers</p>	<p><i>This refers to data migration of customers; there is a concern that once the contract has been ended with Sportsoft they may hold onto our data. However, this can be overcome with an agreement (legally binding) to ensure that we retain ownership, however under the data protection act the data belongs to CDC so this should not be an issue. However, IT has already indicated that they are happy for our data to be migrated</i></p>	<p>Leisure Services Manager June 2013</p>

8. Internal Audit Findings – Refunds

Current Procedures

- 8.1 Procedure notes have been created for the issuing of refunds to customers, although these were last reviewed on 24th January 2008.
- 8.2 From discussions held with staff on site, Internal Audit has determined that refunds are being processed by both reception staff and Duty Officers and that a refund form should be completed as evidence of each transaction. This form requires the individual's name, receipt number, a reason for the refund, the customer's signature and that of the Duty Officer who acts as the approver. Our testing however has found that these forms are not always being completed as the EPOS till will allow the refund to occur without it.
- 8.3 Our review of this system also identified the following issues:
- System parameters have been mistakably set so that everyone can perform a refund. This includes those staff taking money in the front reception area. This has been in place since Sportsoft was first introduced to the site
 - Procedures are weak so that no-one is required to seek approval for a refund from a more senior member of staff
 - No-one is monitoring the usage of the refund forms and so never challenges if any are missing. None of the forms are numerical so it would be hard to identify when any are missing.
 - No-one is monitoring the audit trail so no-one has any idea as to who is refunding what and why

Weaknesses and risks identified with the current arrangements

- 8.4 Procedure notes may no longer relate to the current system in operation and therefore require reviewing and potentially updating.
- 8.5 In our view the control arrangements around the issuing of refunds are weak. Any failure to complete the refund form (the control) does not prevent the refund from occurring, which means it is not a control at all. Furthermore, as no-one reconciles the refund forms to the audit trail they simply sit in a file never to be reviewed again, which is why no-one has challenged where the missing paperwork is.

- 8.6 Furthermore, as system parameters have been incorrectly set up, this control is not working as it should, resulting in reception staff being able to refund however they want and for whatever amount without challenge. To exacerbate the situation further, one member of reception staff is also responsible for banking the income (see section 10 below), which means she could take a payment, refund a higher value back on the system, misappropriate the money for herself and bank the rest without any other member of staff knowing.
- 8.7 A better solution would be for the entire process to be put through the Sportsoft till but for the refund requestor to log out of the system in order that the Duty Officer can log in to approve the refund request. This would appear on that day's audit trail and would therefore negate the need to print and file additional pieces of paper. It would also force 2 people to be involved in the refund process and this segregation of duty instantly improves the control environment.

Recommendations

- 8.8 System notes are reviewed and updated where required as soon as possible.
- 8.9 The parameters should be reset so that a more senior member of staff has to log onto the system to approve all refund requests.
- 8.10 A Sportsoft System Administrator should be employed to review the audit trail in order to identify where refunds have been processed without authorisation. These should be investigated to ensure that money has not been misappropriated in some way.
- 8.11 Ideally the right to refund should be removed from the member of staff who works on reception but also completes the banking. However resourcing issues may make this unworkable, in which case Management need to consider how they mitigate this risk.

Summary of Refund Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
System notes are reviewed and updated	<i>Agreed – notes should be annotated with the date and initials of the person making the comments</i>	Leisure Services Manager June 2013
Parameters need to be reset so that only senior members of staff can carry out refunds	<i>This is not possible but the receptionists must log off from the system so that the DO can log on to perform a refund. Receptionists are not allowed to perform this role.</i>	Leisure Services Manager June 2013
A System Administrator should be employed to review the system generated audit trail	<p><i>Receptionists cannot perform their own refunds, when a customer returns any faulty goods or is authorised to have monies refunded. The Receptionist must complete a refund slip to be signed by the customer (if possible) and authorised by a Duty Officer (or higher). We cannot mark on the audit roll when a refund is applied but the tilling software records who actually performs the refund. In brief:</i></p> <ul style="list-style-type: none"> <i>a. The receptionist logs off</i> <i>b. The Duty Officer (or higher) logs on and performs a refund</i> <i>c. The receptionists logs back on and continues as normal</i> <i>d. We always try to offer free voucher for another visit at another time or offer to exchange any goods and we get the goods exchanged with a supplier.</i> <i>e. If the Duty Officer is not available the paper form is completed and signed by a customer so that the Duty Officer is confident that there is a genuine refund.</i> 	Leisure Services Manager August 2013
Consideration should be given as to how to mitigate the risk posed by the Reception worker who also has responsibility for banking all income	<i>We may be able to mitigate this if the additional admin support verifies monies collected by the employee that has the dual role</i>	Leisure Services Manager June 2013

9. Internal Audit Findings – Cash-Up Procedures

Current Procedures

- 9.1 Craven Swimming Pool operates one Electronic Point of Sale Till (EPOS), located on the front reception desk.
- 9.2 To cash up correctly, staff should undertake these procedures:
- i. Two members of staff count the physical money from the till drawer, deducting the value of the till float which would have been loaded into the till first thing that morning. The best control environment would see this count being completed by 2 different people at the same time, however resources do not allow this to happen so one person counts it and the second person recounts it later. The initial count is done “blind”, meaning that the member of staff has no idea how much the till says it has processed that day.
 - ii. Both members of staff complete a form to show the cash denomination breakdown and how much they have each counted. Any discrepancies found between the two counts will instigate a third count together.
 - iii. The value counted for cash, cheques, and debit & credit card transactions is entered into the till. A message may appear if these values are significantly more than the till was expecting, which should prompt a recount. If the error cannot be found, the member of staff will choose to accept the difference, which will prompt an x and a z reading receipt to be produced to close down the till and wipe out its memory.
 - iv. At the bottom of the counting sheet staff note down the value the till states it has processed that day. This allows the counters to also show any differences between the actual count and the processed value.
 - v. Where differences occur, staff should investigate how these have happened and report this to the Duty Manager or Pool Manager for approval.
- 9.3 Up until 2011, the takings from the café till were cashed up separately and a z reading was taken. This was then entered into the main reception till under a “café income” button, so that all the income could be counted as one. However, in reality some staff were confused as to which figure needed to be entered into the main till, which caused accounting issues. Internal Audit was asked to advise a better way forward, which resulted in the café till and the main till being treated completely separately.
- 9.4 This should have shown an improvement in the number of discrepancies that previously existed. However, when internal Audit reviewed the completed 2012/13 spreadsheet maintained by Finance on the Swimming Pool banking, an excessive

number of errors were found as follows:

- When comparing physical cheques to the value processed through the till, the values did not reconcile for 14 days of the year, resulting in a total overbanking of cheques worth £649 (i.e. the count of physical cheques in the till was £2823 but only £2174 had been processed through the till with the method of payment type selected as cheque).
- When comparing debit and credit card payments to the value processed through the till, the values did not reconcile for 340 days of the year, resulting in a total overbanking of £9,266 (i.e. staff counted £228,422 of credit/debit card slips in the till but only £219,156 was processed through the till as Dr/Cr cards). This could have occurred if the Gym Manager had placed the Streamline credit card slip in the till but failed to process it through the EPOS till as well (see paragraph 5.4) or the wrong payment method had been selected.
- When comparing cash payments to the value processed through the till, the values did not reconcile for 363 days of the year, resulting in a total under banking of £6,906. (i.e. total cash counted was £411,063 whereas the tills cash button had been pressed to the value of £417,969).
- Taking all of the above into consideration, the total discrepancy across all payment types for 2012/13 shows that Craven Pool overbanked £3,008.57 from that processed through the till.

9.5 There are several explanations for the above errors:

1. **Fraudulent transactions are occurring at the Pool.**
These seems unlikely as the discrepancy is an overbanking rather than an under banking
2. **Staff are careless when selecting the method of payment**
This is a possibility as on occasions some of the overbanked “debit and credit card” values exactly matched underbanked values for cash or cheque. The till is a touchscreen design and it is therefore easy to tap into the wrong area of the screen.
3. **Chip and Pin transactions are not being rung through the till correctly**
Staff have confirmed to Internal Audit that on occasions when they are very busy, they have taken payments through the chip and pin machine, have put the Streamline receipt into the till but have forgotten to actually ring the value in.
4. **Staff are treating Fixed prices as Open prices and are adjusting prices on the till without understanding the consequence.**
This is very likely. The EPOS till system consists of two different types of buttons as follows:
 - a) Fixed buttons – the Pool Manager has fixed the button to a specific item at a specific price. This links directly to the relevant nominal codes.

b) Open buttons – these are used for anything that could change pricewise.

- 9.6 When the Pool Manager amends the annual pricing structure, he performs this task on the fixed buttons only, through the administrative function which links the price to the nominal ledger code. One of these items (for example) will be for inductions, which are set at £15 and are mandatory for all new users.
- 9.7 Whilst out on site, Internal Audit discovered that staff have on occasions amended these fixed button prices (for valid reasons) without realising that the till set up would still expect the original price to be entered. Therefore if reception agrees to charge nothing for an induction for example, they will change the price to £0 on the till but the system will still expect the original £15 to be declared through the till. This could account for some of the variances.
- 9.8 Internal Audit testing has identified that some attempt is made to discover why the physical cash and the till are not reconciling. However at times this has consisted of odd pieces of paper with comments such as “no idea what the difference is”, which is unacceptable.
- 9.9 Our review of the paperwork used when cashing up has highlighted that there is no evidence of the Pool Manager being made aware of any cashing up differences and the reasons behind them.
- 9.10 Finally, from discussions with staff on site, Internal Audit has been made aware that the cashing up of income is happening on the main desk during opening hours.

Weaknesses and risks identified with the current arrangements

- 9.11 Our overall opinion on the cashing up control environment is that it is weak and provides Management with only partial assurance that money is not being misappropriated. The Pool Manager is ultimately responsible and accountable for the way income is handled on site, but at present the current procedures do not provide for any Management insight into where controls are failing.
- 9.12 Currently all the Duty Officers can do when a cashing up difference occurs between the counted cash and the value processed through the till is to recount the cash, but this will not identify where the errors have occurred – a member of staff needs to review the Audit trail to find the error(s). This explains why some of the explanations given at the time of the count are so poor and is an important reason why the site requires a full-time Sportsoft Administrator.
- 9.13 Staff may require additional training on the use of the EPOS tills, but this is not being identified.

9.14 Reception staff should not be allowed to amend prices from the front desk for any item sold that does not fall under an open button.

9.15 Staff are being exposed to a health and safety risk by counting the takings in full view of the public at a time when the site is open.

Recommendations

9.16 The administrator post should be created so that there is one person on site who can look at the back office transactions and the audit trail to identify posting errors.

9.17 The paperwork for cashing up should be updated to show what may have caused the discrepancies. This will also show the Pool Manager's signature as confirmation that he is happy with the explanation given.

9.18 Staff who use the EPOS till should be retrained on how the system works.

9.19 The Pool Manager should investigate whether it is possible to prevent fixed button prices from being amended. If this is not possible, reception staff should be reminded that they are not to amend fixed prices that appear on screen.

9.20 Cashing up should occur away from the main counter in a secure location.

Summary of Cashing-Up Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
An Administrator post should be created to look at back office transactions and the system generated audit trail	<i>The pool review has increased the hours for admin so that there is clerical support for at least half the day for each week day.</i>	Leisure Services Manager August 2013
Cashing-up paperwork should be amended to include a field to enter reason for discrepancies, what actions have been taken and a space for a Senior Manager signature	<i>Agreed and completed</i>	Leisure Services Manager June 2013
EPOS Users should be retrained	<i>The approval of capital will allow the computer systems to be upgraded and we will review the most advantageous software company that integrates our systems into a seamless operation freeing up staff resources to assist in the admin function (e.g. membership administration)</i>	Leisure Services Manager Mar 2014
The Leisure Services Manager should investigate whether fixed buttons can be prevented from being changed	<i>This can only be done via the bookings screen and this reports against the nominal codes</i>	Leisure Services Manager June 2013
Cashing up should occur in a secure location	<i>Agreed and implemented</i>	Leisure Services Manager June 2013

10. Internal Audit Findings – Banking Procedures

Current Procedures

- 10.1 Once all income has been counted at the end of each day, it is bagged up and placed in an unsealed bag in the safe, ready to be banked. A label on the bag indicates to the Admin Officer which day the takings relate to.
- 10.2 Due to resourcing issues, banking only occurs on site twice a week. On these 2 days the relevant bags of cash and cheques are opened onto a desk in the back room, sorted mechanically into the various denominations and bagged accordingly, waiting for collection and banking.
- 10.3 The admin officer will reconcile the total value counted in the bags to the totals that have been written onto the cashing up sheets. These should always balance as the income has already been counted and reconciled twice by 2 different people. However a discussion with the Admin Officer has confirmed that on several occasions a discrepancy has been identified.
- 10.4 A review of the entire amount banked in 2012/13 (excluding direct debits) has identified the following discrepancy:

Total banked in cash/chq/Dr&Cr cards	£681,835.62	
Total amount counted prior to banking	<u>£681,406.86</u>	
Difference	£428.76	overbanked

No explanation can be given for this.

Weaknesses and risks identified with the current arrangements

- 10.5 Storing open bags of cash in a locked safe is not an example of a good control as there is no way of knowing why it does not reconcile back. The discrepancy in the banking of counted cash could be a result of 2 issues:
- A member of staff with access to the safe key is stealing the counted cash for a short period but then is putting too much back into the cash bag prior to the banking day
 - Staff are taking the money to top up the EPOS till with cash during the day but are not accounting for it correctly.
- 10.6 As noted in 8.6 above, the Admin Officer who undertakes the banking arrangements for the site also works three days a week on reception taking payments into the till and issuing refunds as required. This is a weak control as

there is an inadequate segregation between the person accepting the income and the person banking it.

Recommendations

- 10.7 The Swimming Pool should purchase numbered sealed tags to secure each cash bag prior to its storage in the safe and this number should be written down on the cashing up sheets. Only the Admin Officer breaks open these tags and this only occurs when she is performing her banking tasks as noted above.
- 10.8 Management must relook at the arrangements in place for the receipting and banking of income so that there is either:
- 1) A complete separation between the two roles
 - 2) The addition of extra controls

These controls will protect that member of staff from false allegations of theft.

The current procedures allow for at least 2 members of staff to reconcile the tilling for each shift and the monies are collected by car park staff or cash in transit company to bank either the cash/cheques or coins.

In the event of a discrepancy of more than £5.00 the Leisure Services Manager is told so that they can investigate the cause of the issue/problem and they must satisfy themselves why the error has occurred.

Summary of Banking Recommendations

Internal Audit Recommendation	Management Response	Officer Responsible & Implementation Date
Numbered sealed tags should be purchased to secure cash bags	<i>Agreed</i>	Leisure Services Manager July 2013
Management should relook at controls in place for the receipting and banking of income to protect staff members from accusations of theft	<i>The admin officer also acts as a receptionist and there is the potential that they may be accused of theft if the money did not balance. However the admin officer cannot adjust the nominal codes/incomes and this can only be done by the LSM. Therefore would need their consent.</i>	Leisure Services Manager June 2013

11. Pool Signage

11.1 The Swimming Pool and Fitness Centre is sited off Gargrave Road, Skipton close to the A65/A59 interchange. The signage around Skipton however is confusing to a new visitor for several reasons:

- **There is an inconsistent use of signs around the town**
Coming from Skipton High Street, most of the signs are brown and feature the logo of a person diving into a pool. On reaching the site itself however the signs change to white and show no logo.
- **There is inconsistency on signs as to the name of the site**
The signage around town directs you to “Craven Swimming Pool”, however the sign directly opposite the driveway calls the site “Aireville Park & Swimming Pool”. As the visitor will visibly only see the school, they may be confused as to whether they have reached Craven Swimming Pool.
- **The siting of the sign at the top of the driveway can be easily missed**
There are 2 signs situated on either side of the driveway as you turn in that note this to be the entrance to the Swimming Pool and Fitness centre. However, these are white, and do not stand out amongst the others in the same vicinity that show that Craven College is also in the same area.
- **The signage fails to sell the site to its visitors**
The site is not only a Swimming Pool but one that includes state of the art gym equipment, a thriving Dance Studio, a 14 hole pitch & putt golf course and a cafe. However none of the signs around Skipton give any indication that these additional facilities are on offer. Whilst it would be inappropriate to show logos for all of these on those signs around the town, the signage at the top of the drive should be much larger to encapsulate all of these visually to any passing trade.

Recommendations

11.2 The signage around the town and especially that at the entrance to the site should be drastically improved so as to sell the site, especially to Pay As You Go Members or holidaymakers. Any cost incurred in making these improvements should be repaid through additional income generated from new members as a result.

Management response:

Agreed. The Leisure Services Manager will review the signage at the pool (with Property & Estates) to increase the take up of pay as you go users/holiday makers.

There are a number of brown tourism signs on all the main access roads into Skipton and within the town itself, but the entrance signage could be improved

vastly to assist all of our customers.