

Private and Confidential

**INTERNAL
AUDIT REPORT**

**LEISURE COMMUNITY
PROPERTIES**

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<u>SECTION</u>	<u>INTERACTIVE INDEX</u>	<u>PAGE</u>
	<u>EXECUTIVE SUMMARY</u>	
1	<u>INTRODUCTION</u>	1
2	<u>CONCLUSIONS</u>	3
3	<u>WAY FORWARD</u>	3
	<u>FINDINGS SUMMARY</u>	
4	<u>GOOD INTERNAL CONTROLS</u>	4
5	<u>RISKS AND CONTROL WEAKNESSES</u>	5
6	<u>MINOR CONSIDERATIONS</u>	8
	<u>MANAGEMENT ACTION PLAN</u>	9
	<u>CONTACTS & CIRCULATION</u>	12

EXECUTIVE SUMMARY

1. INTRODUCTION

1.1. Background

Leisure Services currently oversee the provision of seventy one facilities for Milton Keynes residents. These include meeting places, sports grounds, leisure centres and swimming pools. These facilities are arranged and monitored either directly or in union with partners.

Grants are awarded annually to community managed properties and every three years for Leisure Centres.

1.2. Objectives and Scope

The objectives of the audit were to ensure that:

- Leisure services clearly demonstrate a contribution to Social, Corporate and Health Objectives.
- Targets have been established to enhance the quality of service via sensitivity analysis and other techniques.
- Fees and charges for Sports Ground/ Directly Managed Properties bookings are correctly recorded.
- Grant Aid (Leisure Centres and Community Managed Properties) is provided to enhance the efficiency, economy and effectiveness of the provision of service.
- The service has prepared for the Disability Discrimination Act.
- There are effective controls over budgets for directly managed properties and Sports Grounds.
- Full risk assessments are in place and have been included within the risk register.

Previous audits segregated meeting places, sports grounds and leisure centres/swimming pools. This audit took place in July 2004 and aimed to test controls in all these areas from August 2004 to July 2005. This includes both controls in the outgoing Masterpiece Financial System and the new SAP system.

1.3. Volume Indicators

The following indicators below refer to budgets which were reviewed during the audit. It excludes accounts receivable and payable commitments.

COMMUNITY PROPERTIES (409)	BUDGET 2005/2006 (to September) £	ACTUAL 2005/2006 (to September) £
Profit Centre	(37,530)	(53,904)*
Cost Centre	574,270	566,589

LEISURE CENTRES (414LCTR)	BUDGET 2005/2006 (to September) £	ACTUAL 2005/2006 (to September) £
Profit Centre	0	(30,568)*
Cost Centre	1,206,740	841,003

SPORTS GROUNDS (414SPRT)	BUDGET 2005/2006 (to September) £	ACTUAL 2005/2006 (to September) £
Profit Centre	(63,695)	(43,721)*
Cost Centre	480,715	283,700

HALLS (414HALLS)	BUDGET 2005/2006 (to September) £	ACTUAL 2005/2006 (to September) £
Profit Centre	0	(78)*
Cost Centre	31,055	25,170

SWIMMING POOLS (414SWIM)	BUDGET 2005/2006 (to September) £	ACTUAL 2005/2006 (to September) £
Profit Centre	(150)	(7,232)*
Cost Centre	31,055	25,170

* Profit centre includes "Billing Document" budget account lines.

[Return to Index](#)

2. CONCLUSIONS

- 2.1. Overall, there are well organised controls within the management of community properties (leisure centres/pools, meeting places and sports grounds). It was found that there has been an impressive push to improve the service in response to a best value review in 2003, which included input from the Audit Commission. Recommendations in this report highlight areas that were set target dates but which have not been adhered to or have been missed.
- 2.2. Operations have greatly improved but key areas that need to be revisited include the review and process of one-year grant claims and the monitoring of grant expenditure incurred by Leisure Centres. It is noted that a key member of the team was absent due to long term sickness which did impact upon the consistent monitoring of Leisure Centres. Furthermore, Managers at one particular Leisure Centre have not been fully co-operative with Leisure Services and Audit acknowledge the new approach adopted in ensuring that this Leisure Centre is meeting the needs of residents.
- 2.3. All 'Good Internal Controls' identified are recorded (Section 4) and all 'Risks and Control Weaknesses' identified that give rise to a recommendation are summarised in a table (Section 5).

3. WAY FORWARD

- 3.1. All the recommendations identified are included in the [Management Action Plan \(Page 9\)](#). However, the key recommendations are set out below to provide a summary of those areas which require management attention to focus upon.
 - 3.1.1. **Documents Supporting Grant Aids Application**

Each assessment of one year grants should be thorough in ensuring that all documents are reasonable and up to date. Finance statements should be generally over viewed but detailed scrutiny should be completed for a sample assessed by risk/problems.
 - 3.1.2. **Grant Aid Monitoring Reports**

A six month report on how expenditure of grants awarded have matched original intentions should be completed in order to assess future awards.
 - 3.1.3. **Monitoring of Improvement Plan**

Brief reports are completed to gauge the status of the improvement plan, where targets have been met and to add comment where constraints have prevented targets being met.
 - 3.1.4. **Annual Grant Aid- Clarity of assessment.**

The provision of one year grant aid funding should be presented clearly, signed by the relevant assessor and agreed by Management.

[Return to Index](#)

FINDINGS SUMMARY

4. GOOD INTERNAL CONTROLS

The following areas were tested and confirmed as having good internal controls with no problems to report: -

- 4.1. A Best Value improvement plan was created after the Best Value review of 2003. This feeds into the medium term plan and successfully gives the service strategic direction.
- 4.2. There is at least an annual consultation with a variety of partners in understanding leisure needs of various members of the community.
- 4.3. A tick checklist was visible and had been completed to confirm that all necessary documents had been received for one year grant assessments.
- 4.4. Leisure "monitoring meetings" are undertaken regularly and minutes are agreed by both parties.
- 4.5. The one off hiring of a centre/sports ground does not go ahead unless payment has not been received.
- 4.6. Latest fees have increased in line with inflation and this has been agreed by the appropriate Councillor.
- 4.7. The Sports ground contract was tendered via comparing three offers of service and this followed the financial regulations.

[Return to Index](#)

FINDINGS SUMMARY (continued)

5. RISKS AND CONTROL WEAKNESSES

Ref	Theme	Findings	Risks (Implications)	Recommendation
1	Documents Supporting Grant Aid Application	It was found that required documents for the assessment of annual Grant Aid support had been supplied to Leisure Services in the majority of cases. However, scrutiny over the adequacy of this documentation is questioned as it was found that one application had an out of date insurance certificate.	Interpretation of documents may be incorrect and insufficient/exaggerated grant awarded.	Each assessment of one year grants should be thorough in ensuring that all documents are reasonable and up to date. Finance statements should be generally overviewed but detailed scrutiny should be completed for a sample assessed by risk/problems.
2	Grant Aid monitoring reports	Leisure Centres have not been challenged to ensure that actual expenditure of the grant awarded matched the original intentions of both parties.	The grant is not spent to better the service and meet Council objectives.	A six month report on how expenditure of grants awarded have matched original intention should be completed in order to assess future awards.
3	Monitoring of Improvement Plan	Quarterly reports on the best value improvement plan have not been completed to review the status of targets and whether objectives have been met on time.	The positive direction introduced by the best value improvement plan is undermined when achievements or failures have not been recognised.	Brief reports are completed to gauge the status of the improvement plan, where targets have been met and to add comment where constraints have prevented targets being met.
4	Annual Grant Aid	The Auditor found it difficult to link the actual grant aid awarded and the Leisure Service Officers' assessment. There was no indication of the identity of the assessor or independent review for reasonableness.	Grant aid awards are made incorrectly or are inconsistent to the assessment made.	The provision of one year grant aid funding should be presented clearly, signed by the relevant assessor and agreed by Management.

Ref	Theme	Findings	Risks (Implications)	Recommendation
5	Challenge Statements	Leisure Services have not reviewed the challenge statements in the improvement plan from 2003.	Service challenges are historic and do not reflect current strategic aims.	A review of challenge statements needs to be updated to ensure relevance of the challenges and possible new threats or opportunities.
6	Original Service Level Agreement	There were only two original signed Service Level Agreements on file.	Leisure Services do not have the original agreement to refer to if disputed. The Centre may also challenge the detail of the agreement.	All original and signed Service Level Agreements should be retained on file by Leisure Services department.
7	Benchmarking	Benchmarking is yet to be completed due to certain Leisure Centres questioning the process. There are expectations that this will be completed by the third quarter of 2005. However, the service has not co-ordinated with other Council areas in order to establish how their statistics and benchmarks impact onto the provision of Leisure Services and a healthy community.	Analysis used by Leisure Services are narrowed when other Council Services are not consulted on their collection of statistics/data.	Leisure Services consult other Council areas to find whether links can be established in producing analysis on how statistics impact on the improvement of Leisure Centres and encouraging a healthy community for all.
8	The Efficiency of Processing Duties	Currently the bookings for directly managed properties are controlled using a "blue sheet" giving details of when the bookings were raised, the date of raising the sales order and confirmation of this process. After discussions with the team, there was a requirement for three people to be involved in this process .	The process is slowed due to the need for another officer to be available to complete work which can be adequately completed by two officers.	The booking sheet control form can be completed by two individuals as long as the duties are adequately split.

Ref	Theme	Findings	Risks (Implications)	Recommendation
9	Potential Loss of Service	<p>The Service currently does not have contingency plans for disruption of service (loss of staff and systems). It was found that one member of the Community Properties team is leaving and another is possibly relocating.</p> <p>This will put major strain on the service and will lose vital expertise in dealing with clients.</p>	<p>Milton Keynes residents no longer have the level of service currently provided.</p>	<p>Leisure Services ensure that contingency processes are in place for potential loss of service/staff.</p>
10	Insurance Charges	<p>It was found that there is an insurance lump sum which has not been transferred into the relevant insurance budget. A further issue is raised as to whether the total amount should be transferred if a blanket corporate policy is in place which Leisure Services pay as a recharge.</p>	<p>Leisure Services have a sum within their accounts that may overstate budget reports</p>	<p>A reasoning should be given as to what amount should be transferred to the insurance department and the relevant code for transfer.</p>

NB Any cost implications arising from implementation of the recommendations by HBS must be agreed in advance with the appropriate Client Officer and the Partnership Delivery Manager.

[Return to Index](#)

FINDINGS SUMMARY (continued)

6. MINOR CONSIDERATIONS

- 6.1. A framework of requirements to meet the Disability Discrimination Act has been completed and put to tender. Money has been specifically allocated to match the expenditure. However, substantial work is yet to be done to meet the deadline.

It is SUGGESTED that a framework of continual monitoring of the completion of works to meet Disability Discrimination Act is updated as soon as the work is tendered.

- 6.2. An annual consultation with non-users is scheduled to be sent out in October 2005 with results scheduled for late 2005.

It is SUGGESTED that dates set to complete the non-user consultation are revised and monitored on the improvement plan.

- 6.3. Risk assessments for sports grounds have been completed but not for any other area of work. The service also reports that no follow-ups have been completed.

It is SUGGESTED that the Leisure Services Officer clarifies which other Leisure Services require risk assessments.

- 6.4. There is little mention of leisure/community strategies within the Corporate plan but there is reference in the Community Plan. Leisure Services corporate aims and achievements are not being recognised as a key Council priority due to other services with core BVPIs. However the service is making strides to be recognised with partners and the community itself.

It is SUGGESTED that Leisure Services continue to pursue the Sports and Physical Activity Alliance through the Local Strategic Partnership as evidence of its importance in providing a healthy community for all and that this achievement is recognised corporately.

[Return to Index](#)

MANAGEMENT ACTION PLAN

The recommendations are categorised on the following basis:

Essential - Implementation is required with immediate effect to address a weakness that fundamentally undermines the control of that system.

Important - Implementation is required within a short period of time to address weaknesses that seriously undermine the control of that system.

Standard - Management need to take recommended action within a reasonable period to address weaknesses that may undermine system control.

Ref	Recommendation	Categorisation	Management Comments	Manager Responsible	Target Date
1	<p>Documents supporting Grant Aid Application</p> <p>Each assessment of one year grants should be thorough in ensuring that all documents are reasonable and up to date. Finance statements should be generally over viewed but detailed scrutiny should be completed for a sample assessed by risk/problems.</p>	<u>Essential</u>	<p>Agreed</p> <p>The insurance certificate was highlighted but a copy of the updated document was not received. Furthermore, financial expertise to assess budget proposals and historic financial statements is limited. Help from Finance/Audit where applicable could be an option (as shown for Woughton Leisure Centre).</p>	Leisure Services Officer	30/09/2005
2	<p>Grant Aid Monitoring Reports</p> <p>A six month report on how expenditure of grants awarded have matched original intention should be completed in order to assess future awards.</p>	<u>Essential</u>	Agreed	Leisure Services Officer	31/03/2005

Ref	Recommendation	Categorisation	Management Comments	Manager Responsible	Target Date
3	Monitoring of Improvement Plan Brief reports are completed to gauge the status of the improvement plan, where targets have been met and to add comment where constraints have prevented targets being met.	<u>Essential</u>	Agreed	Leisure Services Officer	31/03/2005
4	Annual Grant Aid-Clarity of assessment. The provision of one year grant aid funding should be presented clearly, signed by the relevant assessor and agreed by Management.	<u>Essential</u>	Agreed. Leisure Services are looking to redesign the form to add extra columns to aid arithmetic and the identity of assessors/management review.	Leisure Services Officer	28/10/2005
5	Challenge Statements A review of challenge statements needs to be updated to ensure relevance of the challenges and possible new threats or opportunities.	Important	Agreed	Leisure Services Officer	31/03/2005
6	Service Level Agreement All original and signed Service Level Agreements should be retained on file by Leisure Services department.	Important	Agreed	Leisure Services Officer	31/03/2006
7	Benchmarking Leisure Services consult other Council areas to find whether links can be established in producing analysis on how statistics impact on the improvement of Leisure Centres and encouraging a healthy community for all.	Important	Agreed	Leisure Services Officer	31/03/2005

Ref	Recommendation	Categorisation	Management Comments	Manager Responsible	Target Date
8	The Efficiency of Processing Duties The booking sheet control form can be completed by two individuals as long as the duties are adequately split.	Standard	Agreed	Leisure Services Officer	30/09/2005
9	Potential Loss of Service Leisure Services ensure that contingency processes are in place for potential loss of service/staff.	Standard	Agreed	Leisure Services Officer	30/12/2005
10	Insurance Charges A reasoning should be given as to what amount should be transferred to the insurance department and the relevant code for transfer.	Standard	To be discussed further between Leisure Services and Insurance	Risk and Insurance Manager	30/12/2005

NB Any cost implications arising from implementation of the recommendations by HBS must be agreed in advance with the appropriate Client Officer and the Partnership Delivery Manager.