

# Brentwood Borough Council

## INTERNAL AUDIT REPORT

Car Park and Golf Club Income

Audit 6.2014

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Moderate



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REPORT STATUS	
Auditors:	Richard Haynes Jonathan Parker
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DISTRIBUTION LIST	
Jo-Anne Ireland	Director of Strategy and Corporate Services
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## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

## CLIENT STRATEGIC RISKS

Risk 1 Finance pressures  
 • Target levels for income are not achieved.


This review relates to the risk that the Council does not achieve targets set for income.

## LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design Limited System of internal controls is weakened with system objectives at risk of not being achieved.

Effectiveness Moderate A small number of exceptions found in testing of the procedures and controls.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High  1

Medium  5

Low

Total number of recommendations: 6

## OVERVIEW

Brentwood Borough Council has car park income of approximately £1.5 million and golf income, through the Hartswood Golf Course, of circa £250K per year. All parking is off street, the majority of which is pay and display, and one multi-storey which is pay on foot.

Our review found the following areas of good practice:

- We sampled 20 collections from the parking machine reports; all cash had been accurately banked, was agreed to reconciliations between the cash banked and the banking sheets filled out by the car parking officers carried out by finance.
- We sampled 11 golf income amounts from the nominal ledger, in all cases we were able to agree these to reconciliations carried out by finance between receipts from the ESP (Golf income system) to the cash banked.
- During the day Golf Club users are required to be logged onto the ESP system, they are given a receipt which is checked by the Starters (staff who maintain the starting times and tee sheets), before giving the player a scorecard.

We also found a number of areas for improvement or development:

- Through discussions with the Payments Officer we identified that there is no set schedule which timetables car park cash collections and therefore she is not aware of which car park's income to expect on any particular day. There are no other mitigating controls in place to ensure that all cash income from car parks banked. It is possible in the current process that if a banking slip was not supplied to finance and the cash not banked, the Council would not be aware if cash went missing. (High Priority)
- Golf income received during twilight play is entirely cash based, and is not recorded on the ESP system when booking players in on arrival, but the takings are recorded on ESP the following morning. (Medium Priority)
- There was no evidence kept to demonstrate that there were two officers involved in the collection, counting and banking of car park income. (Medium Priority)

Overall the level of assurance is limited for design, given there are flaws in the current processes, however sample testing did not indicate any issues arising as a result of the control gaps.

# DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Target levels for income are not achieved.			
Ref.	Finding	Sig.	Recommendation
0.A	Through discussions with the Service Co-ordinator - Parks, Countryside, Cemeteries and Open Spaces, we noted that the contract for the Pro-Shop at the Hartswood site had expired, so was due for review.	M	We recommend that the Council look to negotiate a new contract with the Pro-Shop, to ensure that the Council is achieving value for money. Thought should also be given to how the starter roles are delivered as part of this review, and whether this could be provided in a different way through the Pro-Shop.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed			<i>Responsible Officer: Roy Ormsby/ Stuart Anderson Implementation Date: 28 February 2015</i>

# DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Cash from car park receipts is misappropriated in the collection and banking processes, resulting in loss of income to the Council.

Ref.	Finding	Sig.	Recommendation
2.A	<p>We discussed the process for car park income with the Car Park Manager and the Payments Officer.</p> <p>Currently finance reconcile the cash received in the bank to the cash collection sheets, and not the audit tickets printed by the ticket machines. There is no set schedule of collections, as such the Payments Officer is not aware of what banking sheets she is expecting on any given day.</p> <p>Potentially cash could be collected from machines, not banked and not included on a banking sheet without the Council identifying the issue.</p>	H	<p>It is recommended that the finance team reconcile the cash received through to the online reports produced by the car parking system. This will ensure that all cash collected has been received. This should be evidenced by retaining a spreadsheet confirming that the amounts reconcile.</p> <p>The Payments Officer in finance should be given access and instructions on using the car parks system to facilitate the implementation of this control.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed		<p><i>Responsible Officer: Carol Tomlin</i></p> <p><i>Implementation Date: 31 January 2015</i></p>	
2.B	<p>It was identified that both officers collecting and carrying out the reconciliation are not signing the sheets sent to finance. It is not possible to confirm whether two officers were present at the collection and counting of the cash or otherwise.</p>	M	<p>It is recommended that the banking sheets sent to and filed in finance are signed by both officers carrying out the collection and reconciliation of banking income, to evidence that two officers were present.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed		<p><i>Responsible Officer: Carol Tomlin</i></p> <p><i>Implementation Date: 31 January 2015</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Patrons of the golf course are not paying for access to the golf course and facilities, limiting the income received from the golf course.

Ref.	Finding	Sig.	Recommendation
4.A	<p>From our visit to the golf course, we noted that due to the layout and location of the golf course it is not possible for the Council to ensure that all patrons have paid or are members.</p> <p>As a result it is possible to enter the golf course and start from the second hole, without going through the starting gate next to the pro-shop.</p> <p>We discussed the issue with the Pro Shop Manager, who stated that anecdotally this practice did happen on a regular basis.</p>	M	<p>The Council should consider carrying out a random spot checks on a regular basis to ensure all users on the course at the time have paid, this may discourage this practice.</p> <p>At least two officers should be present when these checks are performed.</p>

## MANAGEMENT RESPONSE

Agreed

## RESPONSIBILITY AND IMPLEMENTATION DATE

*Responsible Officer: Stuart Anderson*

*Implementation Date: 31 March 2015*

Risk: Cash from the Golf Club receipts is misappropriated in the collection and banking processes, reducing income received by the council.

Ref.	Finding	Sig.	Recommendation
5.A	<p>During the twilight play at the golf course the pro shop is closed and payments for twilight pay are taken as cash only through the Council's Starters. The Starter's hut does not have access to ESP, so transactions are loaded onto the golf income system the following morning. This could result in cash being misappropriated.</p>	M	<p>The starters should be given access to ESP so that twilight play customers can be logged through the ESP system.</p>

## MANAGEMENT RESPONSE

Agreed

## RESPONSIBILITY AND IMPLEMENTATION DATE

*Responsible Officer: Stuart Anderson*

*Implementation Date: 31 March 2015*

# DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Cash banked does not match the income recorded by the council.			
Ref.	Finding	Sig.	Recommendation
6.A	<p>Through interviewing the Car Park Manager, we were aware of impending changes to the banking process for car park income. The banking was switching to “bulk bagging” where with the new counting machine they were bagging in £500 units rather than the whole day’s takings, this leaves a carry over for the remainder of the cash which would be kept in the safe.</p> <p>When we interviewed the Payments Officer in finance, they were not aware of the changes to bulk bagging and the implications of this on their work.</p>	M	<p>We recommend that a one-page cash process document is drawn up between finance and the car parks department, including the recommendations above and approach to dealing with carry over, so that everyone knows their responsibilities in the new process.</p> <p>We suggest on the implementation of the new system that the carry over is counted weekly to confirm the income banked plus carry over equals the amount collected from the machines.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed			<p><i>Responsible Officer: Carol Tomlin</i>  <i>Implementation Date: 31 January 2015</i></p>

# APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
Roy Ormsby	Head of Street Scene
Carol Tomlin	Car Park Manager
Stuart Anderson	Service Co-ordinator - Parks, Countryside, Cemeteries & Open Spaces
Jennifer Logue	Technical Officer - Cemeteries and Open Spaces
Angela Yavuz	Payments Officer
Lee Adams	Golf Pro Shop Manager

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.



# APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

# APPENDIX III - TERMS OF REFERENCE

## BACKGROUND

Brentwood Borough Council operate 11 car parks, these are both short and long stay. Income is received through parking charges, season tickets and penalty notices, totalling circa £1.5m per year. The car parks are run and managed by staff employed by the council.

The Brentwood Golf Centre at Hartswood is operated by the Council, income is through annual memberships, discounted 20 round golf tickets and entry for casual play. Income totals circa £250k per year.

## PURPOSE OF REVIEW

The purpose of our review is to evaluate the processes and arrangements in place for the collection, counting and banking of cash income received through the car parks and golf courses.

## KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- The cash received from parking machines does not match the amounts banked.
- Cash from car park receipts is misappropriated in the collection and banking processes, resulting in loss of income to the Council.
- Change floats for car parks are not adequately monitored.
- Patrons of the golf course are not paying for access to the golf course and facilities, limiting the income received from the golf course.
- Cash from the Golf Club receipts is misappropriated in the collection and banking processes, reducing income received by the council.
- Cash banked does not match the income recorded by the council.

## SCOPE OF REVIEW

The review will consider the following areas:

- The process in place for the collection, counting and reconciling of cash from car park income.
- The procedures in place to monitor car park change floats.
- The controls in place ensuring all customers of the golf course hold membership or have paid for casual access.
- The process for ensuring receipts for the golf course are complete, reconciled and accurately recorded.
- The controls in place to ensure the cash income recorded matches the records at source.

# APPENDIX III - TERMS OF REFERENCE

## EXCLUSIONS

Our work will be restricted to the areas of consideration within our scope of the review. The following is specifically excluded:

- The receipt and invoicing of Annual Membership and 20 round golf tickets (Centrally Managed)
- Non-cash sales of car park season tickets and penalty notices.
- Debit/credit card payments for Car Parks or Golf Club casual play tickets.

## APPROACH

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will carry out testing on controls identified as required to ensure they are operating effectively.

## MANAGEMENT COMMENTS

No management comments have been raised regarding the areas under review.

## LOCATIONS

Fieldwork will be performed at the Town Hall, the Car Parks office and The Brentwood Golf Centre as required.

# APPENDIX III - TERMS OF REFERENCE

## DOCUMENTATION REQUEST

Please provide the following documents in advance of our review (where possible):

- Documentation or details on the cash collection processes for car parking.
- Details on the monitoring of car park floats
- Documentation or details on the controls in place to ensure all gold club patrons are members or have purchased a casual play ticket
- Information on the processes in place at the golf club ensuring that all income is received and banked.
- Details on the controls in place ensuring the income recognised by the council agrees to source records.

Any documents provided will assist the timely completion of our fieldwork, however we may need to request further documentation and evidence as we progress through the review process.


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