

Castleton Visitor Centre
Peak District National Park Authority
Internal Audit Report 2018/19

Business Unit: Corporate
Responsible Officer: Head of Visitor Experience Development
Service Manager: Visitor Experience Development Manager
Date Issued: 18 December 2018
Status: Final
Reference: 69155/002

	P1	P2	P3
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Peak District National Park Authority (PDNPA) runs four visitor centres located at Bakewell, Castleton, Edale and Derwent. Three Cycle Hire Centres are also located at Ashbourne, Derwent and Parsley Hay. The visitor centres and cycle centres currently have separate standardised working practices, however the authority are looking to introduce standardised practices for all centres.

Castleton Visitor Centre is situated in the Hope Valley, in the heart of the Peak District National Park. The centre has been fully refurbished in 2017, at the cost of approximately £330k, making it the premier visitor centre for the PDNPA. The main storage of stock and distribution to other centres is managed from the Castleton Visitor Centre. It also contains a dedicated space for Castleton Historical Society's museum, a retail area, Outreach activities area and a new cafe.

During the first 12 months after the refurbishment the gross retail income for the centre was approximately £190,000. Previous audit work in 2015 resulted in a number of procedures for the collecting, reconciling and banking of cash being updated. Further updates to procedures were made as a result of the refurbishment in 2017.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured:

- Income from the visitors centres is collected correctly, reconciled and banked promptly
- The ordering and monitoring of stock is managed effectively.

We visited Castleton Visitor Centre for two days during early September 2018.

Key Findings

All income received at Castleton Visitor Centre is processed through the tills in the retail shop. Each member of staff has their own 4-digit pin to access the tills and they are trained to process all the necessary transactions. The cafe in Castleton Visitor Centre is leased out under formal contract arrangement and is not run by the PDNPA. Testing identified that the cashing up process was performed accurately on a daily basis. A reconciliation between the Z read on the till roll and the daily cash received was performed. This allowed for the income through card, cash and subsequently total income to be confirmed on a daily basis. Any discrepancies were identified and highlighted on the income record sheet. Where necessary the discrepancies would be investigated by the Visitor Centre Manager. An income record sheet was seen to be completed accurately on a daily basis.

It was seen that banking was being performed effectively, on a weekly basis. Testing saw the daily income was stored in the cash safe prior to collection by Kings Armoured. Upon collection the cash is receipted by the Visitor Centre Manager and by Kings Armoured. We saw that there

was a spreadsheet accurately maintained by the Visitor Centre staff including the total income on a daily and weekly basis. The daily income record sheets were also completed accurately on a daily basis, with any discrepancies and resulting action highlighted. The spreadsheets and daily income records sheets are used to verify the correct amount has been banked on a weekly basis.

Testing identified stock levels are not monitored through information flagged up by the stock management system. This could result in stock in the visitor centres not being maintained to an appropriate level or in a timely manner. The system does not automatically identify items that have a low stock level. The system also does not include minimum and maximum levels for each line of stock. Currently the Retail Merchandiser analyses sales to judge the quantity required to repurchase. A miscalculation of the stock required to be re-ordered could result in too many or too few items purchased. Stock checks take place and any required adjustments are made within finance. However, no details of discrepancies are reported to senior management.

We reviewed a sample of ten orders and all had an appropriate purchase order. All orders were reconciled from the original stock order form to the delivery note. PDN numbers were processed in a timely manner, updating the stock management system with the new purchases. All invoices were authorised for payment after the PDN numbers were processed.

An issue was identified where the Retail Merchandiser sometimes performs all tasks when ordering stock. Separation of duties should be improved between the merchandising team to avoid the same member of staff ordering and goods receipting on items purchased. Due to the size of the merchandising team, there will be occasions where a separation of duties is unable to be achieved. However, the separation should be achieved where ever possible.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Monitoring stock

Issue/Control Weakness

Stock levels are not monitored through information flagged up by the stock management system.

Risk

Stock in the visitor centres are not maintained to an appropriate level in a timely manner.

Findings

The stock for all the retail stores operated by the Peak District National Park Authority (PDNPA) is managed by a team of three officers, led by the Retail Merchandiser (RM). There is a central stock room located in Castleton Visitor Centre. Stock is held at Castleton to be distributed on a weekly basis to the other retail stores at the visitor centres. Stock levels are managed through analysing the sales of stock on a weekly basis from each of the stores. Stock levels of any individual item can also be monitored through any of the tills in the visitor centres and requests can be made to the Retail Merchandiser for stock to be re-ordered. If stock levels are identified to be low by the merchandising team then the stock is re-ordered by the Retail Merchandiser up to a limit of £3000 before requiring approval from the Line Manager.

The stock management system does not automatically identify items that have a low stock level. The Retail Merchandiser is required to manually review the levels of stock for each item. The system does not include minimum and maximum levels for each line of stock. Currently the Retail Merchandiser analyses levels of sale to judge the quantity of stock required to purchase. A miscalculation of the required level of stock could result in unnecessary stock being purchased or too few items purchased.

Introducing minimum and maximum levels of stock for each line would allow the Retail Merchandiser to be more accurate and consistent on the level of stock ordered. Once stock is below the minimum level, then an automatic message could be sent to the Retail Merchandising team, highlighting the stock required to be reordered. This would prevent unnecessary stock being ordered and timelier re-ordering of stock.

Stock checks take place, and stock check reports are annotated by the RM with any actions or explanations. In response to possible theft, any vulnerable stock items are moved to a more visible location within the centre where possible so that visitor centre manager and assistants can monitor. RM then completes a stock adjustment on Exchequer where necessary, which are then posted in Finance. However, details of any discrepancies are not reported to senior management.

Agreed Action 1.1

The Exchequer finance system has been changed to include minimum and maximum levels for each line of stock. Once stock levels for all items have been input to the system, there will be no requirement for the Retail Merchandiser to analyse levels of sale to judge

Priority

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Responsible Officer

Head of Visitor Experience

the quantity of stock required to purchase. The system will automatically identify items that have a low stock level. The stock takes are currently in progress at all centres. The results will be reported to senior management.

Timescale

Development
31 March 2019

2 Ordering stock

Issue/Control Weakness

There are insufficient segregation of duties when the Retail Merchandiser is ordering stock.

Risk

Unnecessary items or quantity of items are ordered without being identified and prevented.

Findings

Our testing identified one Retail Merchandiser performs all of the following tasks when ordering stock:

- Identifies items required for re-purchasing
- Performs a best value review on items if they are newly introduced to the stock line or the supplier has altered the price
- Creates a Purchase Order (up to the value of £3000)
- Creates a stock order form including all relevant information on the order (quantity, cost price, retail price, existing/new product, centre stock level, added to pick list)
- Reconciliation of stock order form and delivery note

Currently the Retail Merchandiser could order unnecessary items or a higher number of items than is required and it would not be identified and prevented. Separation of duties should be improved between the merchandising team to avoid the same member of staff ordering, receipting and authorising payment on items purchased. Due to the size of the merchandising team, there will be occasions where a separation in duties is unable to be achieved. However, this should be achieved where ever possible and occasions where this is not possible monitored.

Agreed Action 2.1

Financial Regulations prevent the same officer from raising a purchase order, receipting goods/services and authorising an invoice, and invoices not showing this appropriate segregation of duties are not processed for payment. However an officer can approve two of the three functions (but not all three) as a matter of practicality. The merchandising officer does however have a lower purchase order authority so will need to seek authority for larger purchases. Notwithstanding this, segregation between the three functions, where possible, will be preferred.

Priority	3
Responsible Officer	Head of Visitor Experience Development
Timescale	31 December 2018

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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