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**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**REPORT ON  
AUDIT VISIT TO "KIDS IN CAERPHILLY  
KRAZEE" PROJECT**

**2006**

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**“Kids In Caerphilly Krazee” (KICK) Project – January 2006**

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**NATIONAL ASSEMBLY FOR WALES  
INTERNAL AUDIT SERVICES**

**File Ref: A-FNO-04-04-002  
Report No. 1046**

**REPORT ON AUDIT VISIT TO “KIDS IN CAERPHILLY KRAZEE” PROJECT**

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## **AUDIT VISIT TO “KIDS IN CAERPHILLY KRAZEE” PROJECT**

### **1. Background**

- 1.1. Officials within the Assembly's Regeneration Unit requested that Internal Audit Services (IAS) visit the “Kids in Caerphilly Krazee” (KICK) project, which is part funded from the Welsh Assembly Government's Community Facility and Activities Programme (CFAP).
- 1.2. This project has been allocated £320,186.40 of funding over a three-year period, spanning 2004/05 to 2006/07. The aim of the project is to provide support to 11-20 year olds in Caerphilly. At the time of the award of the grant, the funds were also to develop an indoor skating area/community facility based in the former indoor market in Caerphilly; this aspect of the project had now ceased and was not subject to any review by IAS.
- 1.3. The objectives of the audit were:
  - To ensure that CFAP Funding was used in accordance with the Terms and Conditions of the grant.
  - To ensure that appropriate financial controls and satisfactory financial records were maintained.

### **2. Approach**

- 2.1. We visited KICK on two occasions. The purpose was to deliver assurance over the adequacy of the internal financial controls applied within KICK and to evaluate the adequacy of the financial record keeping to ensure that Assembly grant monies were being used for the purposes intended. There was no detailed testing of KICKs records; instead our opinion was based upon:
  - Structured interviews with Assembly Officials within the Regeneration Unit and staff from the KICK project;
  - a review of Assembly registered files relating to the project;
  - a review of the financial records held by KICK; and
  - walk-through testing of the businesses processes in place within KICK.
- 2.2. Following our visit of 26th September we issued a report to Regeneration Unit who agreed an action plan with KICK. A copy of the report, including the recommendations, is at Annex 1.
- 2.3. We visited KICK again on 29th November to assess the extent to which KICK had implemented the recommendations arising from the earlier visit. We issued a report, including a status report against the earlier recommendations, which is at Annex 2.



**3. Overall Conclusions**

- 3.1. Following our initial visit we concluded that the financial controls in place within KICK were limited and that there was considerable scope for improvement in the financial record keeping of the project.
- 3.2. We were initially unable to gain assurance that CFAP funding was being used in accordance with the terms and conditions of the grant due to the limited evidence that was available at KICK. The purpose of the CFAP grant was to fund six posts to carry out training and support for 11-20 year olds. To that date the Welsh Assembly Government had provided £125,436 of grant funding. However, due to changes of staffing and staffing structures within KICK we were unable to gain any evidence to demonstrate that CFAP funding was currently being used for posts that have been formally agreed with Assembly Officials in the Regeneration Unit.
- 3.3. Whilst the purpose of our visit was to ensure that Assembly grant funding was being used for the purposes intended, an inherent part of our work was to ensure that KICK had a robust financial control framework in operation. Under the Charities Act 1993, charity trustees have a legal responsibility for the “general control and management of the administration of the charity.” We made a number of observations in respect of weaknesses in the control framework which we identified during our visit and recommended that KICK’s trustees should ensure that these weaknesses were addressed and remedial action taken where necessary to enhance the overall control framework.
- 3.4. When we revisited KICK we were satisfied that KICK had made good progress in implementing the recommendations and we were satisfied that controls had improved considerably since our last visit.
- 3.5. There was still some further action to be taken by KICK. For example, they had recently purchased a finance software package to improve their financial record keeping, but this was only implemented the week before our visit and had yet to become fully operational. In addition, there was still some general training to be completed within KICK to ensure that all staff were fully aware of the new processes and procedures to follow; however during our follow up visit we saw evidence that this training was in progress.
- 3.6. In respect of Assembly funding from the CFAP Programme, KICK had provided the Regeneration Unit with a schedule outlining which posts were in receipt of CFAP funding. It also showed the number of hours each member of staff worked and their rate of pay. This enabled the Regeneration Unit to respond to KICK to confirm that they were now content with this and that the funding was being used for the grant’s intended purpose.
- 3.7. We also noted that the grant monies had been reduced to reflect the reduction of staffing as a result of the Project Manager post no longer being required.
- 3.8. Further detail is contained in Annexes 1 and 2.





**4. Acknowledgements**

- 4.1. We would like to express our thanks to colleagues in the Regeneration Unit and staff within KICK for their help and co-operation during our review.
- 4.2. We would like to highlight that during our visits, staff within KICK were extremely receptive to our audit advice and suggestion for improvements in the control framework and financial record keeping. We commend them for the swift action taken in response to our initial report.

**January 2006**

**Internal Audit Services**



**Report No. 1034**  
**File Ref. A-FNO-04-04-002**

**To:** Lynda Attwell  
**From:** Clare Collett  
Internal Audit Services  
Ext.: 3458

**cc:** Emyr Roberts  
Anne Stephenson  
Anthony Pugh  
David McNeill

**Date:** 20<sup>th</sup> October 2005

## **AUDIT VISIT TO "KIDS IN CAERPHILLY KRAZEE" PROJECT**

### **1. Background**

- 1.1. At the request of officials within the Assembly's Regeneration Unit, on Monday 26<sup>th</sup> September 2005 Internal Audit Services (IAS) visited the "Kids in Caerphilly Krazee" (KICK) project, which is part funded from the Welsh Assembly Government's Community Facility and Activities Programme (CFAP).
- 1.2. This project has been allocated £320,186.40 of funding over a three-year period, spanning 2004/05 to 2006/07. The aim of the project is to provide support to 11-20 year olds in Caerphilly. (At the time of the award of the grant, the funds were also to develop an indoor skating area/community facility based in the former indoor market in Caerphilly, this aspect of the project has now ceased and was not subject to any review by IAS)
- 1.3. It should be noted that at the time of our review KICK had a £XXXX deficit on their bank statement and their only material source of income was the CFAP grant. The purpose of this review was not to examine the financial stability of KICK, however their poor cashflow position should be noted.
- 1.4. Officials within the Assembly's Regeneration Unit have reviewed and accepted the recommendations contained in this report and have already communicated the findings to KICK. An aggressive action plan has also been sent to KICK to ensure that the recommendations are implemented in a timely manner and IAS will be revisiting KICK in approximately six weeks to ensure that appropriate action has been taken. The recommendations directly related to the Regeneration Unit have also been accepted and IAS will be following up these areas as part of our routine follow up process.

### **2. Approach**

- 2.1. Following concerns over the financial management within KICK, the purpose of our visit was to deliver assurance over the adequacy of the internal financial controls applied within KICK and to evaluate the adequacy of the financial record keeping to ensure that Assembly grant monies were being used for the purposes intended. There has been no detailed testing of KICKs records; instead our opinion is based upon:
  - Structured interviews with Assembly Officials within the Regeneration Unit and staff from the KICK project;



- a review of Assembly registered files relating to the project;
- a review of the financial records held by KICK; and
- walk-through testing of the businesses processes in place within KICK.

### 3. Conclusion

- 3.1. Overall we conclude that the financial controls in place within KICK are limited and there is considerable scope for improvement in the financial record keeping of the project.
- 3.2. We were unable to gain assurance that CFAP funding is being used in accordance with the terms and conditions of the grant due to the limited evidence that was available at KICK. The purpose of the CFAP grant was to fund six posts to carry out training and support for 11-20 year olds. To date we have provided £125,436 of grant funding however due to changes of staffing and staffing structures within KICK we were unable to gain any evidence to demonstrate that CFAP funding is currently being used for posts that have been formally agreed with Assembly Officials in the Regeneration Unit.
- 3.3. Whilst the purpose of our visit was to ensure that Assembly grant funding was being used for the purposes intended, an inherent part of our work was to ensure that KICK had a robust financial control framework in operation. Under the Charities Act 1993, charity trustees have a legal responsibility for the "general control and management of the administration of the charity" and as such we have included in annex A some observations we have made in respect of weaknesses in the control framework, which we identified during our visit. KICK's trustees should ensure that these weaknesses are addressed and remedial action taken where necessary to enhance the overall control framework.
- 3.4. In addition KICK's trustees should assure themselves that sound basic financial controls exist within KICK in order to promote, govern and check upon the activities of KICK to ensure that its objectives are being met. Advice should be sought from bodies such as the Charity Commission, professional advisors (such as KICK's accountants) and other support bodies for the voluntary sector (e.g. Wales Council for Voluntary Action (WCVA) or County Voluntary Councils (CVCs)).
- 3.5. As highlighted above in paragraph 1.3, at the time of our review KICK's bank balance was £XXXX in deficit and prior to this, during July 2005 it had almost reached the agreed overdraft limit (£XXXX). We would emphasize that the Trustees have a statutory obligation to ensure the proper stewardship of funds within KICK.
- 3.6. We would also like to highlight that during our visit, staff within KICK were extremely receptive to our audit advice and suggestion for improvements in the control framework and financial record keeping. We strongly recommend that our recommendations are taken forward as a matter of urgency and are implemented within **one month** of agreement of this Management Letter, to ensure that the current control framework is improved.
- 3.7. Our detailed findings are outlined in Annex A.



**4. Acknowledgements**

- 4.1. We would like to express our thanks to colleagues in the Regeneration Unit and staff within KICK for their help and co-operation during our review.

**October 2005**

**Internal Audit Services**





### Detailed Findings

## **Objective: To ensure that CFAP Funding is used in accordance with the Terms and Conditions of the grant**

### Staffing

1. KICK were awarded £320,186.40 during the summer/autumn of 2004. (We are unable to ascertain the exact date as the offer letter is not dated). This funding was for three years and was allocated as follows;
  - 2004/05 - £ 61,709.60;
  - 2005/06 - £127,288.60; and
  - 2006/07 - £131,107.20.
2. This funding was to cover the cost of six posts to carry out training and support services for 11-20 year old who might otherwise have fallen through "cracks" in the system. One of the posts was for a project manager to help develop an indoor skate facility but due to health and safety issues at the proposed site, this aspect of the project ceased on the 18<sup>th</sup> August 2005. As a result Assembly funding was due to be reduced to reflect this reduction in staffing. However at the time of our review we could find no evidence on file that KICK had been informed of any reduction in the grant.
3. From our review of Assembly files there was a lack of audit trail demonstrating the posts that the Assembly has been funding both at the original application stage and during the more recent stages of the project. In the original business case, seven posts were outlined. Two of these related to the café and were to be self-financing, the other five were to be funded by the Assembly. However the job descriptions that accompanied the application showed six posts. We believe Assembly funding was made available for these six posts, although it is not clear from the file. In addition we have no evidence on file of who (if anyone) was appointed to any or all of these posts.
4. In May 2005 the Assembly received a schedule from KICK's accountants, of the salaries paid for the first six months of Assembly funding. (This was not an audit certificate.) The total salary cost was £61,914.13 and the grant paid by the Assembly to KICK was £61,791.30. The schedule names the individuals being paid but does not show job descriptions. We were unable to reconcile the names shown, back to the job descriptions that were received with the original application.
5. In addition there are 8 individuals on the salary schedule, whilst our funding was only to cover six posts. There is no evidence on file of the reason for this difference. As such we have no clear audit trail to demonstrate what salaries Assembly grant monies are being used for.
6. During our visit to KICK we were informed that Assembly funding was now being used to fund more posts but on a part-time basis. On file there was evidence of a list



of current employees (total = 14) and the hours worked but there was no clear audit trail demonstrating how this links back to the original application for six posts. In addition the hours to be funded in the original business plan amounted to 178 hours, the current 14 employees work a total of 230 hours. It is unclear from the file whether all of these posts are funded using the CFAP grant monies.

### **Recommendation**

**There should be clear evidence of how the current staffing structure within KICK varies from the original posts that the Assembly agreed to fund.**

**There should be clear evidence that, the Assembly agreed to the new staffing structure and to demonstrate which posts are being funded by CFAP monies and which posts are not.**

**Assembly funding should be formally reduced to reflect that the Project Manager for the Skate Park is no longer required.**

### **Monitoring**

7. There is evidence on file of the quarterly monitoring forms/progress reports received from KICK. The Assembly Officials in the Regeneration Unit review the progress reports, however as voluntary bodies such as KICK are generally small organisations they do not apply stringent monitoring requirements. Nonetheless as no quantifiable objectives were set for KICK the monitoring is still fairly limited in its nature. KICK currently keeps a record of the number of young people who visit KICK but they do not record the nature of the visit. For example, it could be that a young person seeks advice or training from a youth worker when they visit KICK or it could merely mean they visited to use the café facilities. As CFAP funding is being used to fund specific posts, we advised KICK that they should extend their current registers to include a record of the nature of each person's visit and if advice or training was obtained and the member of staff seen. KICK would then be able to quantify the number of people being advised or trained and be able to provide themselves and the Assembly with more meaningful quarterly reports.

### **Recommendation**

**The current attendance sheets used by KICK should be extended to record the nature of each person's visit (or each KICK advisor/youth worker should keep a record of the people that are seen).**

8. In addition, KICK currently maintains very little information quantifying the activities that are taking place and as a result, the management information that is currently created by KICK from attendance data/registers is extremely limited and lacks clarity.

### **Recommendation**

**KICK staff seek to obtain training on computer packages that enable them to provide meaningful management information.**



**Objective: To ensure that appropriate financial controls and satisfactory financial records are maintained.**

9. As indicated in the overall conclusion, legal responsibility for the financial control rests with the board/trustees of KICK. Outlined below are some of the weaknesses in financial controls, which we identified during our visit.
10. We also noted during our review that limited management information is produced for the Board/Trustees and there are no budgetary control processes in place (there are no mechanisms to do any form of forecasting). We would suggest that once fundamental controls are put in place within KICK they seek to implement additional control such as the production of regular management information and models to forecast cash-flow, income and expenditure.

**Financial Records**

11. We found the financial record keeping within KICK extremely limited for both cash transactions and any subsequent bankings. We were informed during our visit that KICK has never been provided with any advice on the financial records they should keep or a recommended format. The format of the current cashbook does not provide an adequate record of the income and expenditure incurred by the organisation nor does it provide an adequate audit trail. The limited nature of the cashbook means that no "proper" reconciliations are performed at the month end between the bank statement and the cashbook. KICK do attempt to reconcile the bank statement back to the cashbook, however our review showed that the exercise was not a meaningful reconciliation, instead information in the cashbook was merely updated to agree to that shown on the bank statement.
12. It should be noted that KICK's trustees have a duty to ensure that proper books and records are maintained.

**Recommendation**

**KICK should use a more appropriate format for a cashbook.**

**KICK should ensure that month end bank reconciliations are performed.**

**Stock Control**

13. Our testing showed that an adequate level of stock for the Café is maintained and this is held in a locked store cupboard. Stock takes are performed on a weekly basis. However our testing showed that stock sheets are not signed following completion of the stock take.

**Recommendation**

**Stock records should be signed and reviewed by the KICK project manager.**



14. In addition, the majority of stock is procured via the local Cash and Carry. A member of staff from KICK produces a list of the items required and then procures the stock using cash. The receipt is then placed in the petty cash tin and any "change" is held as petty cash. At the time of our review we didn't have access to the Petty Cash Tin as the keys were with another member of staff.
15. It is important that a "shopping list" is produced by one member of staff and signed by another to verify the items listed are required by KICK. Once the items have been procured, the list should then be checked back to the receipt to ensure only goods required by KICK have been bought.

### **Recommendation**

**A "shopping list" is prepared prior to procuring stock and this list is then reconciled back to the receipt and retained.**

### **Income**

16. All income collected within KICK is held in a locked drawer within the office at KICK. We found that quite large sums of money (approx. £200) are held on site and banking takes place once a week. KICK is aware of the risks of transporting their income to the bank and ensure that two people take the banking at different times of the day. However we would suggest that in view of the value of cash held on site KICK should consider banking twice weekly and obtaining a safe to hold cash securely on site.

### **Recommendation**

**KICK procure a safe to secure cash held on site.**

**KICK endeavour to deposit bankings twice weekly to reduce the amount of cash held on site.**

17. The Café is the main recipient of income within KICK (the only other area is via vending/gaming machines). At the time of our visit the Cash Register was not functioning properly. As a result there was no automatic listing produced from the till as part of the "cashing up process". Instead one member of KICK's staff counted the takings and then this was then taken to the main office where the monies were checked and the income entered on the cashbook. We would suggest that significant improvements are necessary to ensure that adequate segregation of duties exists and that controls are improved.

### **Recommendations**

**KICK should seek to ensure that the cash register is functioning correctly.**

**When the income is counted from the till, two people should be present and both should sign the "takings sheet" to confirm the amount of money in the till.**





### **Payments to Staff**

18. All KICK staff are currently paid via cash or cheque, KICK are trying to set up direct transfers into individuals bank accounts however they are having difficulty doing this. We would suggest that this is the most appropriate mechanism to pay staff and they continue to try to establish this facility with the bank.
19. Staff are currently paid on receipt of a timesheet, whereby they then sign a receipt when they receive their wages. However currently there is no clear link between the hours worked and the amount paid.

### **Recommendation**

**KICK should ensure there is clear audit trail demonstrating the amount of hours worked by staff (via an authorised timesheet), the amount of hours paid and the amount paid.**

**Staff receiving wages should then sign a record to indicate the amount of salary they have received.**



**Report No. 1042**  
**File Ref. A-FNO-04-04-002**

**To:** Lynda Attwell

**From:** Clare Collett  
Internal Audit Services  
Ext.: 3457

**Date:** 3<sup>rd</sup> January 2006

**FOLLOW UP AUDIT VISIT TO “KIDS IN CAERPHILLY KRAZEE” PROJECT**

1. Further to my minute dated 20<sup>th</sup> October 2005, I can confirm Internal Audit Services (IAS) has now re-visited KICK to test the status of the recommendations made in our previous report (report number 1034).
2. Overall we are satisfied that KICK has made good progress in implementing the recommendations and we are satisfied that controls have improved considerably since our last visit. Annex A contains a detailed explanation of the actions taken by KICK in respect of each of the recommendations made in our report.
3. There is still some further action to be taken by KICK, for example, they have recently purchased a finance package called “Moneysoft” to improve their financial record keeping. This was only implemented last week and has yet to become fully operational. We commend this course of action and suggest that all staff within KICK (with financial responsibilities) receive training in the new package.
4. There is still some general training to be completed within KICK to ensure that all staff are fully aware of the new processes and procedures to follow, however during our follow up visit we saw evidence that this training is in progress.
5. In respect of Assembly funding from the Community Facilities and Activities Programme (CFAP), KICK has provided the Assembly’s Regeneration Unit with a schedule outlining which posts are in receipt of Assembly funding. It also shows the number of hours each member of staff works and their rate of pay. The Regeneration Unit has responded to KICK to confirm that they are content with this schedule and that the funding is being used for the grants intended purpose.
6. We noted that the grant monies have been reduced to reflect the reduction of staffing as a result of the Project Manager post no longer being required.
7. KICK’s bank balance is still in deficit (£XXXX overdrawn as at 2/11/05). Whilst we acknowledge that KICK have started to generate income through activities such as their involvement with “Learnabout” we feel it is important that KICK’s financial position remain under close review by KICK’s Trustees.
8. We would also suggest that the Regeneration Unit continue to monitor KICK’s implementation of the recommendation as part of their on-going monitoring process.

**Internal Audit Services**  
**January 2006**



	<b>Recommendation</b>	<b>Action taken as at 29/11/05</b>
1	There should be clear evidence of how the current staffing structure within KICK varies from the original posts that the Assembly agreed to fund.	<p><b>Implemented</b></p> <p>KICK has sent a schedule to the Assembly's Regeneration Unit detailing all of the staff that are being funded by the Assembly. The document details the standard number of hours worked and the rate per hour. The total staff hours currently worked is 166 compared to 178 in the original business plan. This schedule is kept up to date by KICK's trustees.</p>
2	There should be clear evidence that the Assembly agreed to the new staffing structure and to demonstrate which posts are being funded by CFAP monies and which posts are not.	<p><b>Implemented</b></p> <p>The Assembly has written back to KICK confirming the posts we are funding</p>
3	Assembly funding should be formally reduced to reflect that the project manager for the Skate Park is no longer required.	<p><b>Implemented</b></p> <p>Assembly funding has been reduced to reflect that the Project Manager (Alun Davies) is no longer required as the Skate Park is no longer going ahead.</p>



	<b>Recommendation</b>	<b>Action taken as at 29/11/05</b>
4	The current attendance sheets used by KICK should be extended to record the nature of each person's visit (or each KICK advisor/youth worker should keep a record of the people that are seen)	<p><b>Implemented</b></p> <p>There are new activity forms in use which record the activity undertaken by visitors to KICK. In order to maintain confidentiality this is then put onto a spreadsheet which detail the number of men/women through the door each day and the activity undertaken</p>
5	KICK seek to obtain training on computer packages that enable them to provide meaningful management information	<p><b>On-Going</b></p> <p>The above data is then shown diagrammatically. There is still staff training on-going in respect of Excel and how to produce meaningful charts.</p>
6	KICK should use a more appropriate format for a cashbook	<p><b>On-Going</b></p> <p>KICK has now implemented new accounting software for stock, payroll, financial transactions and the accounts. Training is still being undertaken on this.</p>





	<b>Recommendation</b>	<b>Action taken as at 29/11/05</b>
7	KICK should ensure that the month end bank reconciliations are performed	As above
8	Stock records should be signed and reviewed by the KICK Project Manager	<b>Implemented</b>  Stock records are now signed and tally sheets are also completed showing the movements of stock. There is also a checklist completed each day to check the stock has been checked (and other tasks)
9	A "Shopping list" is prepared prior to procuring stock and this list is then reconciled back to the receipt and retained.	<b>Implemented</b>  A shopping list is prepared and held with the receipts showing what has been purchased
10	KICK procures a safe to secure cash held on site.	<b>Implemented</b>  A safe has been installed



	<b>Recommendation</b>	<b>Action taken as at 29/11/05</b>
11	KICK endeavour to deposit bankings twice weekly to reduce the amount of cash held on site.	<p><b>Implemented</b></p> <p>KICK is still only able to bank weekly due to limited staff resources. When they do bank they ensure that two people go for safety/security reasons. KICK informed us if they are in receipt of an unusually large amount cash they do make an extra banking visit.</p>
12	KICK should seek to ensure that the cash register is functioning correctly	<p><b>Implemented</b></p> <p>The cash register is now operating correctly</p>
13	When the income is counted from the till, two people should be present and both should sign the "takings sheet" to confirm the amount of money in the till.	<p><b>Implemented</b></p> <p>The till is "cashed up" by two people who sign confirming the amount receipted.</p> <p><i>Audit Comment: KICK staff should also note any difference between the cash in the till and the amount on the till roll.</i></p>



	Recommendation	Action taken as at 29/11/05
14	KICK should ensure there is a clear audit trail demonstrating the amount of hours worked by staff (via and authorised timesheet), the amount of hours paid and the amount paid.	<p><b>Implemented</b></p> <p>(&amp;15) KICK now use timesheets that are linked to wage slips therefore the employee signs for the amount of money that corresponds to the hours worked</p>
15	Staff receiving wages should then sign a record to indicate the amount of salary they have received.	As above

