



HOTEL AUDIT

7th – 9th MAY 2014

XXXX HOTEL

Distribution:

XXXX, General Manager
XXXX, Financial Controller
XXXX, Finance Director
XXXX, Managing Director

Hospitality Audit Services Contact:

Chris Pearson, Owner
07795 613 821

Report Number: HAS/01/2014

Hospitality Audit Services Ltd

Registered Office; First Floor East, Bridge Mills, Stramongate, Kendal, LA9 4UB
Registered in England & Wales No 8126628

Registered Under The Data Protection Act 1998 No Z3253991

Section I	EXECUTIVE SUMMARY	Page
	1.1 Introduction.....	2
	1.2 Summary of audit findings	2
	1.3 Conclusion.....	2
	1.4 Audit scope	2
	1.5 Use of this report	2
	1.6 Audit scores.....	3
Section II	RECOMMENDATIONS AND ACTIONS SUMMARY	
	A. Agreed actions.....	4

1.1 INTRODUCTION

This internal audit forms part of the 2014 internal audit plan. The visit was conducted on an announced basis to encourage management participation in the audit planning process. We appreciate that staff and management are very busy and we acknowledge the co-operation we received during this audit.

This report is compiled on an exception basis; this means that we only comment on areas where control weaknesses were identified.

1.2 SUMMARY OF MAIN FINDINGS

Our audit work highlighted a number of positive aspects of XXXX Hotel's operations. However, there were eleven weaknesses identified in certain areas of the business as summarised here and detailed in Section II:-

- The night audit procedures should be reviewed with regards to credit card reconciliations so that there is no duplication of tasks with the income auditor
- There are a number of areas where the delegation of duties should be reviewed. These include the opening of mail, sales ledger allowances and the cutting of Housekeeping keys.
- Purchasing authorisation should be routed to the Financial Controller so that he is aware of what is being purchased before an order is placed
- PCI (Payment Card Industry) standards should be followed. The front and back copies of credit cards should not be requested from customers.

1.3 CONCLUSION

Controls in place at XXXX Hotel are generally sound, and were found to be of a satisfactory standard to maintain reasonable control.

Any actions agreed with management to remedy weaknesses found during the visit should be undertaken in the agreed timescales.

1.4 AUDIT SCOPE

This audit took place between the 7th and 9th May 2014 and looked at the hotels compliance with XXXX Hotels Standard Operating Procedures relating to cash handling, floats & keys, banking, stock control, purchasing, revenue control, employees & payroll, credit control and security & legislation.

1.5 USE OF THIS REPORT

This report has been prepared solely for the use of the management of XXXX hotel group

Our work has consisted of discussions with management, together with detailed testing of a sample of processes and transactions and does not constitute an exhaustive audit of policy and procedure at the hotel.

1.6 AUDIT SCORES

	TOTAL		
	Maximum Points	Actual Points	%
Finance	490	400	81.6%
F&B	430	400	93.0%
Reception	370	333	90.0%
Reservations & M&E	105	85	81.0%
Human Resources	65	65	100.0%
Housekeeping	100	85	85.0%
Leisure Club	315	305	96.8%
TOTAL	1875	1673	89.2%

	Maximum Points	Actual Points	%	Grade
Cash Handling, Floats & Keys	510	460	90.2%	1
Banking	385	318	82.6%	2
Stock Control	115	95	82.6%	2
Purchasing	270	250	92.6%	1
Revenue Control	205	185	90.2%	1
Employees & Payroll	130	120	92.3%	1
Credit Control	120	110	91.7%	1
Security & Legislation	140	135	96.4%	1
TOTAL	1875	1673	89.2%	

A: AGREED ACTIONS:

<p>1. Cash Handling</p> <p>1.1 Housekeeping Keys Observation: The housekeeping key control log book was reviewed and it was noted that there are ten housekeeping keys used to enter bedrooms. Five had been logged out but only three had not been issued. The remaining two had not been logged out. Recommendation: All keys must be logged in and out so that there is a complete audit trail in the even of loss or theft Responsibility: Head Housekeeper Implementation Date: Immediate</p>
<p>2. Banking</p> <p>2.1 Credit Card Refunds Observation: Credit card refunds are checked by the income auditor. This is done by reviewing the Opera negative postings report Recommendations:</p> <ul style="list-style-type: none">• Credit card refunds should be listed by the night auditor from information provided by the PDQ machine end of day reports. The refund authorisation forms and back up should be collated and passed to accounts for review.• Access should be given to hotel accounts personnel so that the credit card merchant web site can be viewed and card transactions checked. <p>Responsibility: Finance Director/Financial Controller Implementation Date: End of May</p>
<p>2.2 Credit Card Reconciliation Observation: Nights complete a credit card reconciliation spread sheet each evening. This is not done very accurately and a number of errors were noted in the two weeks of banking checked. The income auditor completes a separate spread sheet which is accurate and is used to track daily differences. There seems little point is the night auditor completing their spread sheet. Recommendation: Nights should continue to poll the PDQ machines and pass this information on to accounts. Nights should follow the recommendation in point 2.1 and collate credit card refund information based on the information from the PDQ machines. Responsibility: Financial Controller Implementation Date: End of May</p>
<p>2.3 PCI Compliance Observation: The third party credit card form currently in use requests a copy of the front and back of a credit card to be sent to the hotel. This is contrary to PCI standards. These require that there are no hard copies of the three digit security number on the back of the card stored anywhere. Recommendation: There are a number of ways of complying with the PCI standards and having a low risk that a card used is fraudulent. One such way is to ask the customer to complete the third party credit card form with card number and expiry date, address with post code and a phone number. The reservations team could then ring the customer to request the CCV number. This will confirm that the phone number is accurate making it less likely that the card is fraudulent. A copy of the front of the card could also be requested to confirm that they are in possession of the card. Responsibility: Reception Manager Implementation Date: Immediate</p>

SECTION II – RECOMMENDATIONS & FINDINGS

XXXX Hotel

May 2014

3. Stock Control

3.1 Liquor Stock Holding

Observation: Liquor stock holding is quite high. This is especially the case for 1.5Ltr Grouse and 1.5ltr Bacardi where there were 34 and 13 bottles respectively at the last stocktake

Recommendations:

- The Financial Controller should review liquor orders before they are placed so they can be sense checked. The purchasing system currently does not require this authorisation
- A par stock system should be implemented so that ordering is more accurate and bar stock levels are reasonable.

Responsibility: Financial Controller/Operations Manager

Implementation Date: End of May

3.2 Reception Stock

Observation: Reception hold a stock of adaptors which are sold to guests. There is no stock control on these items.

Recommendation: A regular stock take should be made of these adaptors and the estimated revenue checked in Opera for accuracy.

Responsibility: Reception Manager

Implementation Date: End of May

4. Purchasing

4.1 Petty Cash

Observation: Petty cash receipts are not cancelled once payment has been made.

Recommendation: Petty cash receipts should be cancelled so that they cannot be re-presented at a later date.

Responsibility: Financial Controller

Implementation Date: End of November

4.2 Guest Supplies

Observation: The shampoo used by Housekeeping to replenish the bathroom Gilchrist and Soames shampoo containers is an Alliance own brand product.

Recommendation: The product used should be as described.

Responsibility: Head Housekeeper

Implementation Date: End of June

5. Revenue Control

5.1 Leisure Club Membership

Observation: There are a number of complementary memberships in the Leisure Club. These are not authorised by the Financial Controller or General Manager

Recommendation: All new complementary members should be authorised by the Financial Controller and General Manager. Documentation should be retained for future inspection.

Responsibility: Leisure Club Manager

Implementation Date: Immediate

6. Credit Control

6.1 Credit Limits

Observation: There are a number of Opera credit limits on the sales ledger that are lower than the current outstanding balance

Recommendation: Credit limits should be regularly reviewed. The hotels credit controller should inform Head Office Finance if any limits are likely to be exceeded so that a new check can be made and the limit adjusted if agreed.

Responsibility: Financial Controller

Implementation Date: Immediate

7. Security & Legislation

7.1 Accommodation Rates

Observation: There are no accommodation rates on display in the Reception area

Recommendation: It is a requirement of the 'Consumer Protection from Unfair Trading Regulations 2008' that accommodation rates, including VAT must be displayed for the benefit of guests

Responsibility: Reception Manager

Implementation Date: Immediate