

Internal Audit Report

To: Head of Finance
Subject: Cash Receipting - Finance Department
Audit report reference: GBC 36 – 2 (of 7)
Date: February 2005

Control objective 1: Secure arrangements exist for the collection and recording of income collected by Finance.			
Risk: Income may be misappropriated.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
1.1 Income is only collected and handled by authorised officers.	The post is collected by staff from the Finance Administration Support Office from the Civic Centre mailroom. Within this post there could income, normally cheques.	Yes	
1.2 Official receipts are issued for all cash and cheques collected. Receipt details include the following: date, payer, description, account reference, FMS code, amount / VAT details and receipt number.	<p>One member of staff within the office always opens the mail in the presence of another member of staff. Cheques are kept with their correspondence to be passed to the civic cash office, if cash is received which only happens on a rare occasion then another staff member is asked to check it with who ever is opening the mail. Only cash or Postal Orders are entered in the Postal Remittance Record.</p> <p>All income is checked to ensure that it has a valid reference to enable the transaction to be processed by the Cash Office. An example would be Council Tax, NNDR or rent book. If there is no accompanying documentation with the payment but the reference is on the cheque, an official receipt is printed on the rear of the payment. In other cases a receipt is printed on the accompanying correspondence, which is then returned to the payee.</p>	Yes	

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1.3 Income collected relates to approved charges of the Authority.	Income collected and banked relates to charges either set by the authority or the Government. Observation and discussion confirmed this.	Yes	
1.4 The duties of cash collection and cash reconciliation are subject to appropriate separation of duties.	The mail is opened in the Finance Administration Support Office, who then pass the income over to the Cash Office for processing. The income is passed to the Cash Office in a signed and sealed envelope. Observation and discussion confirmed this happens.	Yes	
1.5 Regular reconciliations are carried out between income collected and the accounting records in FMS.	FMS reconciliations are carried out on a regular basis by the areas accounting for the income, e.g. Rents, Council Tax and NNDR.	Yes	
1.6 Income is handled and transferred securely.	Income is only moved within the Civic Centre. This was confirmed by discussion and observation.	Yes	
1.7 Income is held securely prior to being transferred or being paid into the bank.	Income awaiting transfer to the cash office in the Civic Centre is placed in a locked draw in the office until it is convenient for a member of staff to deliver it to the cash office. Discussion and observation confirmed this.	Yes	

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1.8 All income is banked promptly with the cashier or, where appropriate, to the Authority's bank account.	All income is transferred to the cash office within the Civic Centre as soon as possible for banking into the Authority's bank account always on the day it is received. Observation and discussion confirmed this.	Yes	
1.9 Personal cheques are not encashed.	The majority of income is received in the form of cheques. Where cash is received, it would not be used to encash personal cheques.	Yes	
1.10 An adequate audit trail exists to record the transfer of cash between departments and officers. 1.10 (cont) An adequate audit trail exists to record the transfer of cash between departments and officers.	Where cheques are received through the post, and which can be referenced and processed easily, no separate record is made of its receipt. All income from the night safe is recorded in the Postal Remittance Record along with any cash or postal orders received through the post and cheques over £10,000 in value. When this income is taken to the cash office, both the officer transferring the income and the cashier sign the record. This provides a good audit trail. Any income received which cannot be processed immediately, maybe due to having an incorrect reference, or the cheque not being completed correctly, they are all entered in the Special Action Record which records the cheque details, nature of the problem and the resulting action taken. The person dealing with the cheque signs this record when the problem has been resolved. If this results in the payment being transferred to another Department or member of staff, an additional signature is taken. All records were checked for a week in September.	Yes	

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1.11 Official receipts are controlled effectively.	A receipt is printed on the documentation received with the income, or if no documentation is received then a receipt is printed on the rear of the cheque. Any documentation received with the payment is returned to the payee. Observation and discussion confirmed this.	Yes	