

Internal Audit Report

To: Head of Finance
Subject: Cash Receipting - Housing Department
Audit report reference: GBC 36 – 1 (of 7)
Date: February 2005

Control objective 1: Secure arrangements exist for the collection and recording of income collected by Housing Department.			
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.	All mail is collected daily from the Civic Centre mailroom by staff from the Housing North Department. Within this mail there could be 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.	One member of staff within the office opens the mail. All cheques are listed in the cash remittance book. If cash is received, which rarely happens, then another staff member is asked to check it with whoever is opening the mail, this is then also recorded in the cash remittance book. The cash remittance book is taken to the main cashiers in the Civic Centre together with the income received. The remittance book is signed by both the person delivering the income and the cashier who processes the transactions. An official receipt is printed on the accompanying documentation.	Yes	

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1.3 Income collected relates to approved charges of the Authority.	The income collected relates to rental charges. These charges are calculated in accordance with Government guidelines. Observation and discussion confirmed this.	Yes	
1.4 The duties of cash collection and cash reconciliation are subject to appropriate separation of duties.	The post is opened and income is listed in the Postal Remittance Book, by a 'Housing North' Assistant. They then sign the Remittance Book before passing it through to the cash office to be processed and issued with an official receipt by a Gedling Borough Council cashier. A week in September was selected to ensure that income was listed and had all been passed to the cash office for receipting.	Yes	
1.5 Regular reconciliations are carried out between income collected and the accounting records in FMS.	There is no reconciliation of the income received through the post with the income banked. There is a regular reconciliation of rent income received and FMS. However, if a postal payment was not processed against the correct reference the rent payer would be put into arrears. This would therefore promote an investigation into missing payments.	Yes	
1.6 Income is handled and transferred securely.	Income is only moved within the Civic Centre. This was confirmed by observation and discussion.	Yes	

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1.7 Income is held securely prior to being transferred or being paid into the bank.	Income ready for transfer to the cash office in the Civic Centre is placed in the office mail out tray until it is convenient for a member of staff to take it to the cash office. This was confirmed by observation and discussion.	No	Income awaiting banking should be held securely until staff are ready to take the income to the cash office. (Medium Risk) <u>Response of the Head of Housing Services</u> <i>The cheques and cash received through the post are immediately taken down to the cash office once received by the Arrears Officer</i> <u>Officer Responsible</u> <i>S Williamson</i> <u>Date for Implementation</u> <i>Immediately</i>
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. Income is always banked the day it is received. This was confirmed by checking the income in the postal remittance book and the audit trail at the cash officer. See 1.4	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 cash personal cheques, discussion and observation confirmed this.	Yes	

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1.10 An adequate audit trail exists to record the transfer of cash between departments and officers.	<p>There is an adequate audit trail for the transfer of income between officers and departments.</p> <p>A week in September was selected to test as per 1.4, all payments were traced.</p>	Yes	
1.11 Official receipts are controlled effectively.	<p>The receipt is printed on the documentation received with the income, this receipt is then returned to the payee. A Rent Control Officer in the Rent and Resources Office records all rent books/documentation returned to the payee through the post.</p> <p>Discussion and observation. In addition, the income recorded in the Postal Remittance (as tested in 1.4) was checked to ensure that this procedure had been followed.</p>	Yes	