

Internal Audit Report

To: Head of Finance
Subject: Cash Receipting – Legal and Administration
Audit report reference: GBC 36 – 3 (of 7)
Date: February 2005

Control objective 1: Secure arrangements exist for the collection and recording of income collected by Legal and Administration.			
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.	Staff from the General Office collect mail from the Civic Centre mailroom. Within this mail there could be income, this would normally be in the form of 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 opens the mail, all cheques should be listed in the cash remittance notebook. If cash is received, which only happens on a rare occasion, another staff member is asked to check it with whoever opens the mail, this should also be recorded in the cash remittance notebook. All incoming mail for the Legal Section should also be entered in the Incoming and Distribution of Daily Mail book.</p> <p>Income is then distributed to the officer's dealing with the transaction concerned - this could relate to a house sale or the Centralised Attachment-of-Earnings Payment System. Income is put in individual officers' 'in-trays' for processing.</p> <p>However, during the audit, it was noted that some income had been left, for over a week, in the in-tray of an officer who was on holiday. Furthermore, the in-tray was in an open office and cheques had not been stamped with the date received.</p>	No	<p>All income should be kept securely until it can be processed and taken to the Cash Office. (High Risk)</p> <p><u>Response of the Head of Legal and Democratic Services</u> <i>Agreed. Systems will be implemented to ensure that this happens.</i></p> <p><u>Officer Responsible</u> <i>Senior Solicitor/Democratic Services Manager</i></p> <p><u>Date for Implementation</u> <i>Immediately</i></p> <p>When income is transferred from one officer to another, a signed receipt should be obtained as evidence of this transfer. (High Risk)</p> <p><u>Response of the Head of Legal and Democratic Services</u> <i>Agreed.</i></p>

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1.2 (cont) 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.	When income is taken to the Cash Office for banking, an official receipt is issued.		<u>Officer Responsible</u> <i>Senior Clerical Assistant</i> <u>Date for Implementation</u> <i>Immediately</i>
1.3 Income collected relates to approved charges of the Authority.	The income relates to the sales of houses, Notice fees and Centralised Attachment-of-Earnings Payments. Observation and discussion confirmed this.	Yes	
1.4 The duties of cash collection and cash reconciliation are subject to appropriate separation of duties.	The income is opened and distributed by the General Office staff, it is then passed for processing to the officer dealing with the correspondence. They deal with the issue and bank the income at the cash office. The cashier at the cash office processes the income and prints an official receipt on a miscellaneous income receipt form.	Yes	
1.5 Regular reconciliations are carried out between income collected and the accounting records in FMS.	A regular reconciliation is carried out of the income banked to FMS but not of the income collected.	No	Reconciliations should be carried out on a monthly basis of the income collected with FMS balances. (Low Risk) <u>Response of the Head of Legal and Democratic Services</u> <i>Agreed.</i> <u>Officer Responsible</u> <i>Democratic Services Manager</i> <u>Date for Implementation</u> <i>Immediately</i>

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1.6 Income is handled and transferred securely.	Income is only moved within the Civic Centre. Discussion and observation confirmed this.	Yes	
1.7 Income is held securely prior to being transferred or being paid into the bank.	Income ready to be transferred to the cash office in the Civic Centre is held in the officer's office until it is convenient for a them to deliver it to the cash office.	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 Legal and Democratic Services</u> Agreed. <u>Officer Responsible</u> Receiving Officer <u>Date for Implementation</u> Immediately
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 after being dealt with by the officer. However, testing revealed that income is not always dealt with promptly in Legal and Administration.	No	All income should be banked promptly. (Medium Risk) <u>Response of the Head of Legal and Democratic Services</u> Agreed. This will be accounted for in the systems implemented in 1.2 above. <u>Officer Responsible</u> As above <u>Date for Implementation</u> As above
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, as confirmed by discussion.	Yes	

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1.10 An adequate audit trail exists to record the transfer of cash between departments and officers.	There is not a full and adequate audit trail for the transfer of income between officers and departments.	No	When income is transferred between officers, a signature of receipt should be obtained giving a full audit trail. (Medium Risk) <u>Response of the Head of Legal and Democratic Services</u> Agreed. This will be accounted for in the systems implemented in 1.2 above. <u>Officer Responsible</u> As above <u>Date for Implementation</u> As above
1.11 Official receipts are controlled effectively.	A miscellaneous receipt is printed and retained with the documentation received with the payment. This was confirmed by observation and discussion.	Yes	