



**INTERNAL AUDIT**  
**FINAL REPORT**

**Title: Review Of Cash Receipting**

**Report Distribution**

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For Information:                Mark Kimberley                Head of Finance  
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Draft Issued:                    4<sup>th</sup> October 2006  
Final Issued:                    21<sup>st</sup> November 2006

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## EXECUTIVE SUMMARY

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### Introduction

The Revenue Section, within the Finance Department, is responsible for the cash receipting system. Responsibilities include the receipt, recording and banking of income. The central cash office is physically secure, cash not banked is held in a secure safe overnight.

The movement/transportation of cash is undertaken via the external security firm Kings Armoured Security Services. The contract commenced in April 2002 and is currently renewed on an annual basis.

The current annual volume of transactions through the cash office equates to approximately £15 million, of which approximately £4.6 million is cash.

The last audit of cash receipting was undertaken in October 2005, no recommendations were made.

### Principal Findings

|                           | High | Medium | Low |
|---------------------------|------|--------|-----|
| Number of recommendations |      |        | 2   |

The detailed findings and associated recommendations are provided in the second part of this report. There were no high or medium risk recommendations made within the report.

### Assurance Statement

Internal Audit can provide **substantial** assurance with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

## INTRODUCTION

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### Objective & Scope

The purpose of the audit review was to ensure adequate systems exist to prevent misappropriation of cash income and that all sources are secure and cost efficient.

The key risks associated with the system objectives are:

- Failure to collect, record, hold and convey cash receipts in a secure manner resulting in loss, theft or misappropriation of cash,
- Failure to provide adequate security arrangements for staff involved in cash transfer/banking activities.

The control areas included within the scope of the review are:

- Collection and recording procedures for cash receipts,
- Cash transfer and banking procedures,
- Cash holding procedures.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

### Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

## DETAILED FINDINGS

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| Observation  | Risks   | Recommendation   | Management's Response   |
|--|---|--|---|
| <p><b>Recommendation 1 - Procedure Notes (Cash Office)</b><br/> <b>Level of Risk- Low</b></p>  |   |  |   |
| <p>Procedure notes were available for staff within the cash office, however, these differed from the ones provided to Internal Audit as the current version.</p> <p>Encashment limits were not stated within either the Cash Office notes or Cash Office procedures held within the cash office.</p> <p>Encashment limits have been set by the Head of Finance as follows:</p> <ul style="list-style-type: none"> <li>• debit cards £100.00,</li> <li>• cheques £50.00.</li> </ul> | <p>Staff are unaware of correct procedures, resulting in the risk of failure to record and bank cash receipts in a secure manner.</p> | <p>Procedure notes should be reviewed to ensure these are consistent and up to date and include details of the agreed encashment limits.</p> <p><b>Action: John Vickers – Revenues Manager</b></p> | <p><b>Management Comment:</b><br/>Agreed</p> <p><b>Planned Corrective Action:</b><br/>Procedure notes will be reviewed.</p> <p><b>Timescale:</b><br/>31<sup>st</sup> January 2007</p> |

| Observation  | Risks   | Recommendation   | Management's Response   |
|--|---|--|---|
| <p><b>Recommendation 2 – Procedure Notes (Direct Services)</b><br/> <b>Level of Risk – Low</b></p>   |   |  |   |
| <p>There are no written procedures in place for the handling and movement of cash received by the department.</p> <p>This is a particular risk during periods of prolonged or unexpected absence with respect to the members of staff responsible for cash receipting procedures within Direct Services.</p> | <p>Staff are unaware of correct procedures, resulting in the risk of failure to record and bank cash receipts in a secure manner.</p> | <p>Procedure notes should be produced covering all aspects of the cash receipting process and distributed to all necessary staff.</p> <p><b>Action: David Parton - Head of Direct Services</b></p> | <p><b>Management Comment:</b><br/>Agreed</p> <p><b>Planned Corrective Action:</b><br/>Procedure Notes to be produced.</p> <p><b>Timescale:</b><br/>28<sup>th</sup> February 2007.</p> |