



**INTERNAL AUDIT
FINAL REPORT**

Title: Review Of Cash Receipting

Report Distribution

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EXECUTIVE SUMMARY

Introduction

The Gedling One Stop, part of the Customer Services & Organisational Development Department, is responsible for cash receipting for the authority. Responsibilities include the receipt, recording and banking of income. The central cash office is physically secure and 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 £3.6 million is cash.

The last audit of cash receipting was undertaken in July 2006, when two low risk recommendations were made.

Principal Findings

	High	Medium	Low
Number of recommendations		1	5

The detailed findings and associated recommendations are provided in the second part of this report. The medium risk recommendation relates to:

- Within the Direct Services Department income should be transferred to the Civic Centre on a more timely basis.

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

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 effective.

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.
- Failures to arrange secure cash storage resulting in loss, theft or misappropriation of cash.
- Loss of Data (customer payment details), resulting in adverse public / customer relations and potential loss of income.
- Failure to comply with regulatory and / or legislative requirements.

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

- Collection and recording procedures for cash receipts. This includes all sources of Income (cash office / telephone / internet).
- Cash transfer and banking procedures.
- Cash holding procedures.
- Data security and retention procedures to ensure compliance with Financial Regulations and Legislative requirements.

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

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Cash Transfer and Banking of Income (Direct Services) Level of Risk - Medium</p>			
<p>Cash collection from various sources (including vending, public toilets, bowls and tennis facilities) is held in secure safes at the various locations prior to being transferred to the Civic Centre cash office for banking.</p> <p>Whilst the storage facilities are secure it appears that at times significant amounts of cash (an example of £3,000 being held prior to transfer was identified) are being held before transfer and banking.</p>	<p>Failure to transfer and bank cash amounts promptly may result in excessive losses due to loss or theft of cash holdings.</p> <p>Additionally, revenue may be lost due to failure to maximise interest receipts.</p>	<p>Limits should be set to minimise the amount of cash held prior to transfer and banking.</p> <p>Cash holding amounts and transfer lead times should be monitored to minimise the security and loss of revenue risks.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: S Yallop to discuss with Direct Services to agree cash limits and / or transfer times.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Audit Trail (Cash Office) Level of Risk - Low</p>			
<p>The cash receipting system records income by the fund number and reference, however, does not identify the Department to which the income relates.</p> <p>A consequence of this is that excessive time is spent within the Finance section identifying the correct Department by the cost centre.</p>	<p>Failure to minimise costs due to ineffective procedures.</p>	<p>Consideration should be given to enhancing the system data supplied to the Finance team to identify the Department at source.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: Discussions already commenced with Bev Beal and Kerry Lucas.</p> <p>Planned Corrective Action: To review and agree fund numbers.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Debit Card Encashment (Cash Office) Level of Risk - Low</p>			
<p>The Authority encashment policy allows employees and members to obtain cash from the cash office using their bank debit card. This facility is restricted to employees and members.</p> <p>The name of the person withdrawing cash is recorded, however, following the introduction of the chip and pin facility, no check is undertaken to confirm that such withdrawals relate solely to employees and members.</p> <p>No instances were found whereby cash had been withdrawn by anyone other than an employee or member, however, the introduction of identity checks would enhance the control of cash withdrawals.</p>	<p>Inappropriate cash withdrawals from the cash office.</p>	<p>The Civic Centre cashiers should routinely request individuals withdrawing cash to provide their employee badges to confirm their status.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: Staff are requested to produce ID badge where appropriate.</p> <p>Planned Corrective Action: S Yallop to send memo to all cash office staff reminding them of procedure.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Money Laundering Policy Level of Risk - Low</p>			
<p>The Authority's Money Laundering Policy was reviewed, updated and approved in February 2007.</p> <p>The policy stipulates that all cash receipts over £1,000 should be recorded, however, this amount is considered too low and is, therefore, not recorded.</p> <p>In addition, the policy stipulates that training will be provided to relevant staff to familiarise them with the money laundering requirements. It could not be confirmed that any training had taken place.</p>	<p>Failure to comply with regulatory and / or legislative requirements.</p>	<p>The Money Laundering Policy should be reviewed, and updated if appropriate, to establish the optimal cash limit for recording purposes.</p> <p>Upon completion of the review staff should be trained on the requirements of the policy.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: Cash limit has been considered to be too low, and no specific training has been given.</p> <p>Planned Corrective Action: S Yallop to discuss cash limit with MK. Also to see what training could be provided and who could provide it.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Procedure Notes (Departments) Level of Risk - Low</p>			
<p>Whilst the existing system manuals and procedure notes provide assistance to experienced staff they are not adequately detailed with respect to specific departmental procedures (Direct Services and Planning & Environment). The cash receipting procedures for individual departments are encapsulated within other procedure notes, not relevant to the cash receipting process.</p> <p>This issue does not pose a risk to experienced staff, however, would materialise in the event of prolonged or unexpected absence.</p>	<p>Staffs 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 appropriate staff members.</p> <p>Action: Steve Yallop – Customer Services Manager, in conjunction with Departmental Managers.</p>	<p>Management Comment: Some written procedures have been produced. Others are being done</p> <p>Planned Corrective Action: To review all written procedures and to link with recommendation 1.</p> <p>Timescale: 31st March 2008</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Reconciliation of Cash Receipts (Direct Services) Level of Risk - Low</p>			
<p>Income received / collected within the Direct Services Department is recorded and routinely transferred to the Civic Centre cash office for banking.</p> <p>There are no reconciliations undertaken of the income received to that transferred to the Civic Centre cash office and entered onto the AGRESSO finance system.</p>	<p>Loss / theft or misappropriation of cash.</p>	<p>Regular reconciliations (monthly) should be undertaken of the Income received to that transferred to the cash office and entered onto AGRESSO.</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: Whilst there is a daily reconciliation of the monies processed through the cash office for the department, monies received and transferred to cash office is currently not reconciled to the records in the office.</p> <p>Planned Corrective Action: This reconciliation will be undertaken in future and monitored by the Manager.</p> <p>Timescale: 31st December 2007</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are one or more significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk