



INTERNAL AUDIT
FINAL REPORT

Title: Cash Receipting

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of the Council's Cash Receipting system was undertaken as part of the approved internal audit periodic plan for 2008/09.

We examined the corporate system and, on this audit, we also reviewed cash receipting in the Planning and Environment department. The Direct Services department was also visited to follow up recommendations made in the previous audit report.

Our previous audit report on cash receipting, report IAR0708-05 issued in December 2007, provided substantial assurance with respect to the adequacy and effectiveness of controls. It contained six recommendations. During this current review, we found that three of these recommendations had been satisfactorily implemented. Renewed recommendations are included in this report in respect of the other three, two of which have been partially implemented and one has not been implemented.

Principal Findings

	High	Medium	Low
Number of recommendations	0	4	4

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

- Cash and cheques could be stored more securely prior to banking;
- Some receipts should be banked more promptly;
- The Direct Services department's records of cash received at source should be reconciled to the accounting system (Agresso);
- The Council's obligations in respect of the Payment Card Industry Standards should be determined and then complied with.

The following matters are also noted, but not included in the recommendations:

- The central post room's remittance register only records cheques over £10,000. This is due to the large number of cheques received. This threshold is subject to review during periodic reviews of the risk registers.
- The Planning and Environment department's remittance registers prior to 19 August 2008 were shredded before our audit. This did not comply with the Council's rules on record retention. However, no recommendation is made as there is no future need for remittance registers in such departments, as the receipt of remittances will be centralised in the Civic Centre.

Assurance Statement

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

INTRODUCTION

Objective & Scope

The objective of our audit was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

The key risks associated with the system objectives are:

- Failure to collect and record cash receipts in a secure manner resulting in loss, theft or misappropriation;
- Failure to securely transfer cash between locations and to the bank, resulting in loss, theft or misappropriation;
- Failure to securely store unbanked cash, resulting in loss, theft or misappropriation;
- Loss of data resulting in the potential loss of income, and adverse public and customer relations; and
- Failure to comply with regulatory and legislative requirements.

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

- The collection and recording of cash;
- The transfer and banking of cash;
- The storage of unbanked cash;
- Data security, financial regulations and legislative requirements.

The scope of the audit did not include actively seeking to detect fraud.

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 Authority's 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 Receipting Procedures Level of Risk - Low</p>			
<p>The procedure documents that we examined were undated and did not identify their author. These were as follows:</p> <p>The cash office has a set of user manuals to instruct staff how to operate the cash receipting system. The Customer Services department has also produced procedures covering cashing-up and banking.</p> <p>The Planning and Environment department produced a set of procedure documents, including cash receipting, prior to the recent restructuring (the Gedling Transformation Programme, GTP).</p>	<p>Use of out-of-date procedure documents because of difficulties identifying the most recent, current versions.</p>	<p>Procedure documents should include a date and identify their author.</p> <p>Action: Steve Yallop - Customer Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Procedure documents will be dated and will identify the author.</p> <p>Timescale: 2nd March 2009</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Documentation Recording Cheques Received Level of Risk - Low</p>			
<p>In service departments, when cheques are received in settlement of invoices, the invoice number is written on the back of the cheque, but no further documentation is created to evidence the receipt and source of the income.</p>	<p>Where no supporting documentation is held, there could be difficulty in resolving mispostings or disputes that may arise.</p>	<p>All amounts received should be supported by documentation (possibly a miscellaneous receipt form) to explain the source of the income.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: For cheques where there is a unique reference number i.e. Council tax, then only that reference number is written on the back of the cheque. Where there is a payment requiring an Agresso code then a miscellaneous receipt is produced.</p> <p>Planned Corrective Action: Procedure already in place.</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Storage of Cash and Cheques Prior to Banking Level of Risk - Medium</p>			
<p>Cash and cheques received by the licensing section are not held in a safe as required by the Planning and Environment department's procedures. We expect this arrangement to change as a result of the current restructuring (the Gedling Transformation Programme, GTP) when the receipt of remittances in the Civic Centre will be centralised.</p> <p>The safe in the Civic Centre cash office is not locked during working hours. However, the office is secure, and the safe is used frequently during the day. So we accept that it would be impractical for operational purposes to lock it during the day, and no recommendation is made in respect of this.</p>	<p>Increased risk of loss.</p>	<p>All cash and cheques received should be held in a safe until banked.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: From 17th December 2008 the Corporate admin team are now responsible for processing licensing cheques that are received. These are checked and then taken immediately to the Cash Office.</p> <p>Planned Corrective Action: Procedure developed and adopted.</p> <p>Timescale: Implemented</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Promptness of Banking Level of Risk - Medium</p>			
<p><u>Banking of cheques by the licensing section of the Planning & Environment department</u></p> <p>Lengthy delays were identified in the banking of remittances received by the licensing section of the Planning & Environment department. An annual fee for a premises licence was banked nine working days after being received. Another, which remained unbanked during our audit, was received some two or three weeks before its due date and was being held until this date when it would be banked.</p> <p>We expect this arrangement to change as a result of the current restructuring (the Gedling Transformation Programme, GTP) and that these monies will be banked on receipt centrally.</p>	<p>Increased risk of loss.</p>	<p>1. Advance payments should be banked promptly instead of being held until their due date.</p> <p>Action: Steve Yallop – Customer Services Manager</p> <p>2. Cash received by the Direct Services department should be banked promptly.</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment:</p> <p>1. From 17th December 2008 Corporate admin team are now responsible for processing licensing cheques that are received. These are checked and then taken immediately to the Cash Office.</p> <p>Management Comment:</p> <p>2. Accepted that this was not a one-off but it is a rare occurrence. We do try and bank the money asap but there are other priorities and such issues as leave etc to fit in. There may be further delays when we go from nearly 4 staff down to 2.3 admin staff after GTP so I don't want to commit to this being a priority when other issues are too.</p> <p>Planned Corrective Action:</p> <p>We will try our best to ensure large</p>

<p><u>Banking of cash (notes & coins) by the Direct Services department</u></p> <p>In the Direct Services department, some lengthy delays have occurred between the department receiving cash and it being taken to the central cash office for banking. For example: tennis & bowls income of £183 plus vending machine money of £184 in March 2008 was banked over three months later in June 2008. In September 2008, tennis & bowls income of £1,437 plus £280 from public conveniences were held for 21 days before banking.</p> <p>This issue was also included in our previous audit report on cash receipting (recommendation number 1). The other part of that recommendation, to reduce the maximum amount of cash held before banking, has been implemented.</p>			<p>amounts of cash are banked asap. Will issue further instruction to staff to let me know if they are unable to complete on receipt, so I can decide priorities, bearing in mind admin. support for the whole department.</p> <p>Timescale: Immediate / Ongoing Monitoring</p>
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Reconciliations of Cash Received to the Accounting System Level of Risk - Medium</p>			
<p>In the Planning and Environment department, records of cash received at source (the point where it is first received) are reconciled to the accounting system (Agresso).</p> <p>However this check is not carried out within the Direct Services department, although such a check was recommended and agreed in our previous audit report on cash receipting (recommendation number 6). The records of cash received (at source) are only agreed to the cash counted prior to banking.</p> <p>The finance section reconciles monies banked to the accounting system (Agresso).</p>	<p>Cash may be prepared for banking, but not banked.</p>	<p>The Direct Services department's records of cash received at source should be reconciled to the accounting system (Agresso).</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: Have agreed that a procedure will be written to ensure work undertaken on a regular basis and reconciled with amount banked but understand reconciliation to be undertaken by Finance from June 2009.</p> <p>Planned Corrective Action: Reconcile monthly February to June.</p> <p>Timescale: February to June 2009</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Telephone Payments Level of Risk - Low</p>			
<p>Payments may be made over the telephone by debit card from the payee's bank account. The details of these payments are recorded on a system called pay.net.</p> <p>The Council has a licence to operate ten pay.net terminals. Each terminal is accessed by a password. The password is unique to the terminal rather than the operator, and all operators may use any of the ten terminals. Therefore the terminal used to enter a transaction can be identified, but not the operator.</p>	<p>Payment transactions may be wrongly amended, and the department is unable to identify who amended them.</p>	<p>The department should explore whether the operator entering each pay.net transaction can be identified.</p> <p>Action: Steve Yallop - Customer Services Manager</p>	<p>Management Comment: The Council presently has 10 concurrent licences. To have a licence for each member of staff would mean purchasing another 20 licences, which is expensive.</p> <p>Planned Corrective Action: To review the situation as part of the GTP.</p> <p>Timescale: Ongoing</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Money Laundering Procedures Level of Risk - Low</p>			
<p>A recommendation (number 4) in our previous audit report on cash receipting related to the money laundering procedures.</p> <p>We recommended that individual cash receipts above a set limit should be recorded, so that they could be checked for the possibility of money laundering. This has now been implemented, as a schedule has been introduced, for the recording of such receipts over £1,000.</p> <p>However another part of our recommendation, to provide staff training on the money laundering procedures has not been implemented.</p>	<p>The money laundering procedures are not complied with.</p>	<p>Staff training on the money laundering procedures should be provided.</p> <p>Action: Steve Yallop - Customer Services Manager</p>	<p>Management Comment: Some staff training was undertaken approx 18 months ago. However, both cashiers have now left and a recruitment process is underway.</p> <p>Planned Corrective Action: Some CIPFA training days have been identified for managers to attend who will then deliver training for new staff when appointed.</p> <p>Timescale: September 2009</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 - Payment Card Industry Standards Level of Risk - Medium</p>			
<p>Residents may make payments of council tax and housing rents by debit or credit card.</p> <p>Data Security Standards have been developed by the Payment Card Industry for such payments. For some organisations, compliance with these standards is compulsory and must be checked annually.</p>	<p>Non-compliance, potentially leading to a fine and/or loss of the ability to accept payments by this method.</p>	<p>The Council should formally determine its obligations in respect of the Payment Card Industry Standards and ensure that it complies with them.</p> <p>Action: Steve Yallop – Customer Services Manager</p>	<p>Management Comment: Agreed. Some initial work has been undertaken on our IT processes. The Capita system itself is compliant.</p> <p>Planned Corrective Action: A 2 day consultancy workshop has been procured from Capita to determine the work we need to undertake.</p> <p>Timescale: Consultancy days are expected to be during April or May 2009. From this it is expected an action plan will be developed. Initial proposed date for completion is December 2009.</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 to the risk arising 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 or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk