



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 2009/10.

We examined the cash office's central system, and the Direct Services department and Leisure Services department were visited as part of this review.

Our previous audit report on cash receipting, report IAR0809-08 issued in February 2009, provided limited assurance with respect to the adequacy and effectiveness of controls. It contained eight recommendations. During this current review, we found that one of these recommendations had been satisfactorily implemented, and two were no longer relevant following restructuring (the Gedling Transformation Programme). Renewed recommendations are included in this report in respect of the other five, two of which has been partially implemented and three have not been implemented.

Principal Findings

	High	Medium	Low
Number of recommendations	0	6	6

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

- The Direct Services department (at Jubilee House) receives money from tennis & bowls ticket sales without retaining the related documentation.
- The Direct Services department's cash could be banked more promptly. We consider that this money could be taken directly to the cash office, and not handled at Jubilee House.
- The Direct Services department's records of cash received should be reconciled to the accounting system (Agresso).
- Cash and cheques could be stored more securely prior to banking.
- A list of the staff from the security company, Kings, who collect the cash for banking, would help ensure that only authorised staff are given the cash.
- A review, by Capita, of compliance with Payment Card Industry Data Security Standards, identified a concern about recording phone calls from customers giving debit card details.

The following matter is 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.

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>All of the procedure documents that we examined were dated, apart from the money laundering procedures, which is an improvement on our findings in the previous audit. However one procedure, for taking leisure services income to the cash office, was auto-dated to show the date it was printed.</p> <p>Many procedures now include the name of the author, although some do not.</p> <p>There are no procedure documents for the handling of income by the Direct Services department at Jubilee House.</p>	<p>Transactions processed wrongly because of out-of-date or non-existent procedure documents.</p>	<p>All procedure documents should be dated and identify their author. Auto-dating should be de-activated on procedure documents.</p> <p>Action: Steve Yallop, Customer Services Manager</p> <p>The department should explore the possibility of Direct Services department cash being taken directly to the cash office, and not handled at Jubilee House.</p> <p>Action: Steve Yallop, Customer Services Manager</p> <p>In the meantime, procedural documents should be produced for the handling of income by the Direct Services department at Jubilee House.</p> <p>Action: Caroline McKenzie, Business Support Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action:</p> <ol style="list-style-type: none"> 1. All procedures issued within Customer Services should show author and date. 2. To discuss with Caroline McKenzie to agree procedure with agreement from internal audit section 3. CM removing risk by taking cash direct to cash office. Procedure written, need to consult with SY and Internal Audit to make sure it is okay. <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Source Records (Direct Services Departmental Income) Level of Risk - Medium</p>			
<p>Cash collected from ticket sales for tennis & bowls is brought to the Direct Services department (at Jubilee House) but no documentation is retained with the money. The money is placed in the safe until it is counted and the amount entered in the cashbook. But the amount counted is not agreed to the source documentation which has been returned to the tennis courts & bowling greens.</p> <p>The amounts of money are fairly significant, typically up to £2,000 a time from ticket sales.</p> <p>(The above findings also applied to vending machine cash, but since our audit we have been informed that the department is no longer responsible for handling vending machine cash).</p>	<p>Cash may be miscounted, or go missing before counting, without being identified.</p>	<p>Cash collected from tickets for tennis & bowls should be accompanied by documentation when handed over to the Direct Services Department (at Jubilee House).</p> <p>Action: Caroline McKenzie, Business Support Manager</p>	<p>Management Comment: The amount collected from each patrol person is reconciled against the number of tickets issued and held by the individual. The amount relating to each member of staff is not significant as there are many sites.</p> <p>Planned Corrective Action: This procedure will continue when recommendation 1 is fully implemented which will help mitigate the risk associated with cash holding.</p> <p>Timescale: See recommendation 1.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Storage Of Cash And Cheques Prior To Banking Level of Risk - Medium</p>			
<p>During the day, cash is held outside the safe in the cash office. This includes:</p> <ul style="list-style-type: none"> the cash float which is placed on top of the safe (and can be as high as £800 when fully reimbursed), if a significant number of notes builds up in the till they are removed and placed in a locked drawer until the till is cashed up. <p>The key for the Direct Services department's safe is stored in a key safe which is accessible to staff who are not authorised to open the safe.</p>	<p>Theft of cash, and an inability to identify who is responsible.</p>	<p>The cash float, and notes removed from the till, should be stored in the safe at all times. Action: Steve Yallop, Customer Services Manager</p> <p>As proposed in recommendation 1 above, the department should explore the possibility of Direct Services department cash being taken directly to the cash office, and not handled at Jubilee House.</p> <p>In the meantime, access to the Direct Services department's safe keys should be restricted to the staff authorised to open the safe. Action: Caroline McKenzie, Business Support Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action:</p> <ol style="list-style-type: none"> Due to the number of times the cashier has to use the float it is felt that it would be too time consuming to put it in the safe. The same is for the notes, which are kept in a locked drawer. The cash office has 2 locked doors at the entry and is restricted to authorised officers only. Safe keys are stored in the same place but access to the key safe cabinet is now restricted. The risk will reduce significantly in line with recommendation 1. <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Insurance Cover (Contents of the Leisure Services Department's Safe) Level of Risk - Low</p>			
<p>The Leisure Services department's safe is not included on the list of insured safes.</p>	<p>Any loss or theft of the safe's contents would not be recoverable through insurance.</p>	<p>The Leisure Services department's safe should be added to the list of insured safes.</p> <p>Action: Vince Rimmington – Manager of Audit & Risk Services</p>	<p>Management Comment: The contents of the safe never exceed the excess on the insurance policy. Therefore, it is not worthwhile insuring with our Insurance providers and is better covered through our internal insurance fund.</p> <p>Planned Corrective Action: N/a</p> <p>Timescale: N/a</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Safe Contents Level of Risk - Low</p>			
<p>The cash office safe contained some items such as keys and documents whose purpose could not be identified.</p>	<p>Lack of clarity over safes' contents, leading to valuable items not being securely held in the safe, and being lost.</p>	<p>The contents of all safes should be reviewed. Items that are no longer required should be disposed of, or stored elsewhere, as appropriate.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Instructions to be issued to cashiers advising what may be held within safes.</p> <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Promptness Of Banking Level of Risk - Medium</p>			
<p>In the Direct Services department, significant delays have occurred between the department receiving cash and it being taken to the cash office for banking. For example nearly £2,000 collected from tickets for tennis & bowls was in the Direct Services department (at Jubilee House) on 25 August 2009 but not banked until 14 September 2009. Because no documentation from the tennis courts & bowling greens is held with the money at Jubilee House (as noted in recommendation 2 above) we did not ascertain the full extent of the delay in banking.</p> <p>Similar occurrences were identified in the previous audit report.</p>	<p>Increased risk of loss of cash.</p>	<p>As proposed in recommendation 1 above, the department should explore the possibility of Direct Services department cash being taken directly to the cash office, and not handled at Jubilee House.</p> <p>In the meantime, cash received by the Direct Services department should be banked promptly, ideally within a week of receipt.</p> <p>Action: Caroline McKenzie, Business Support Manager</p>	<p>Management Comment: Recommendation agreed, this is predominantly due to staff shortages.</p> <p>Planned Corrective Action: This will be addressed through implementation of recommendation 1.</p> <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Cash Collection (Prior To Banking) Level of Risk - Medium</p>			
<p>A security company, Kings, is contracted to collect the cash each day and take it for banking. Cash office staff do not have a list of the Kings staff who are authorised to make these collections.</p>	<p>Theft of cash by an unauthorised collector.</p>	<p>The security company, Kings, should provide a list of names, ideally with photographs, of their employees who are authorised to collect the cash.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Updated list obtained and circulated.</p> <p>Timescale: Implemented.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 - Reconciliations Of Cash Received To The Accounting System Level of Risk - Medium</p>			
<p>In the Direct Services department there is no reconciliation between the cash received and the accounting system (Agresso). Such a check was recommended and agreed in our previous audit report.</p> <p>The finance section does, however, reconcile money 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: Recommendation agreed.</p> <p>Planned Corrective Action: To discuss with Finance whether this reconciliation should now be undertaken by Finance as a consequence of GTP.</p> <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 9 - 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>This issue was identified in the previous audit report, in response to which the department agreed to review this situation.</p>	<p>Payment transactions may be wrongly entered or amended, with no record of who entered or 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: Recommendation agreed.</p> <p>Planned Corrective Action: We are in the process of purchasing 15 more licences. Once these have been installed we will review and update procedures to ensure operator identification.</p> <p>Timescale: 30th June 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 10 - Training (Money Laundering Procedures) Level of Risk - Low</p>			
<p>The anti money laundering policy states that staff should be provided with training on its procedures. In our previous report we recommended that staff training on these procedures should be provided. In response to this the department agreed to firstly train managers, which has now taken place, and then these managers would train other staff, including new staff. This latter training has been delayed due to recent staff changes, and has still to take place.</p>	<p>The money laundering procedures are not complied with.</p>	<p>Staff training on the money laundering procedures should be provided to all appropriate staff, at the earliest opportunity.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Revised policy and procedures are currently being written. Upon completion formal staff training will take place.</p> <p>Timescale: 30th September 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 11 - Payment Card Industry Data Security Standards Level of Risk - Medium</p>			
<p>Residents may make payments by debit card, mainly of council tax.</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>A compliance review was carried out during the year by Capita. This identified concerns about retaining, for too long, records of debit card details given by cutomers during phone calls. This remains to be resolved.</p>	<p>Non-compliance, potentially leading to a fine and/or loss of the ability to accept payments by this method.</p>	<p>The procedures should be reviewed for retaining records of debit card details given by cutomers during phone calls.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed. Recorded telephone calls are currently kept for 1 year.</p> <p>Planned Corrective Action: A review to be undertaken to identify options for minimising retention periods. The IT & Efficiency will be consulted to enable consideration of efficiencies and any IT related options.</p> <p>Timescale: 30th September 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 12 - Document Retention Period (Transaction Documents) Level of Risk - Low</p>			
<p>There is a policy and procedure for the retention of records. We wished to check that the policy was complied with in respect of receipts records (page 25 of the policy). However there was a significant discrepancy between the items that were being used, and those described in the policy. The cash office does not have the following documents which are named in the policy:</p> <ul style="list-style-type: none"> • remittance books • receipt books • cash register audit rolls • cashiers' handover books <p>It is possible that these documents should be used but are not used, are used elsewhere in the authority, or are no longer necessary.</p>	<p>Failure to retain records to support transactions, and to comply with legal requirements.</p>	<p>The part of the retention policy dealing with receipts records should be reviewed to ensure it accurately reflects the documents that should be used (within the authority as a whole) and that should be retained.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Policy and procedures relating to document retention are currently being reviewed corporately. A review of documents and retention periods will be undertaken in conjunction with the corporate approach.</p> <p>Timescale: 30th September 2010</p>

ANNEX A**Risk & Assurance – Standard Definitions**Audit 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 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 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