



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 2010/11.

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

The cash office received about £11.5 million in the year to 30 June 2010.

Our previous audit report on cash receipting, report IAR0910-16 issued in February 2010, provided limited assurance with respect to the adequacy and effectiveness of controls. It contained 12 recommendations. During this current review, we found that 6 of these recommendations had been satisfactorily implemented, 3 had been addressed and implementation was in progress, and two are no longer relevant. The remaining recommendation, that all procedure documents should be dated and identify their author, has been partially implemented and a renewed recommendation is included in this report.

Principal Findings

	High	Medium	Low	VFM
Number of recommendations	0	1	6	0

The detailed findings and associated recommendations are provided in the second part of this report. The medium-risk recommendation relates to the safe in the Leisure Services department's administration office, which is vulnerable to theft, and the cash and cheques stored in this safe should be banked more promptly.

As last year, 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 **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

A significant reason for the improvement in the assurance level since the previous report is that the Direct Services department's income is now brought directly to the cash office, and so is subject to better control.

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>In our previous audit report we recommended that all procedure documents should be dated and identify their author. On this audit we found that some documents still do not meet these criteria:</p> <ul style="list-style-type: none"> • The records management policy is not dated. <p>The following procedures do not include the name of the author:</p> <ul style="list-style-type: none"> • night safe • cheque payments • cash & postal order payments • collection of monies from static sites • money laundering policy. 	<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.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Comments noted. Some of these documents were produced by service sections.</p> <p>Planned Corrective Action: S Yallop will email all relevant staff to remind them of the need to ensure that any documents concerning procedures relating to the cash office identify the author and are dated.</p> <p>Timescale: 1st December 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Cash Office Keys Level of Risk - Low</p>			
<p>No record is kept of which staff have been issued with keys for the cash office door.</p>	<p>Loss of cash through misuse of keys issued to individuals who should no longer have them. However the likelihood of this is low because of other controls over access to the safe.</p>	<p>For each key there should be a form signed by the current keyholder, indicating acceptance of responsibility for the security of the key.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A procedure note to be written to document this procedure and staff informed.</p> <p>Timescale: 31st December 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Door Code (Cash Office) Level of Risk - Low</p>			
<p>The security codes to open the cash office door and safe are changed periodically, although there is no set timescale for this.</p> <p>Changing the code to the safe is difficult, and costly, requiring external contractors. We accept that if access to the cash office is controlled by keys (recommendation 2) and security code (this recommendation) there is no need to change the safe code more regularly.</p>	<p>Loss of cash through access to the cash office by individuals who should no longer have access.</p>	<p>The code to open the cash office door should be changed at fixed intervals.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed. As there is also a door controlled by keys it is felt that there is already a good level of security. To change the code for the door will involve a locksmith to do this so there is a charge for doing this.</p> <p>Planned Corrective Action: To change the code for the cash office door on an annual basis.</p> <p>Timescale: 31st January 2011</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Checking Discrepancies on Cashing Up Tills Level of Risk - Low</p>			
<p>At the end of each day, the cash in each till is compared to the takings recorded by the till. These totals, and any difference between them, are recorded on a 'Cash-up Report.' We found the differences to be small and adequately explained. However, the 'Cash-up Reports' do not include evidence of supervisory review.</p>	<p>Cash recorded by the tills, but not banked, is not identified and investigated.</p>	<p>The folder of 'Cash-up Reports' should be reviewed monthly, to sample check that the forms are being completed daily, and no large discrepancies are being found. A record should be made to evidence that this review has taken place.</p> <p>Action: Steve Yallop, Customer Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A procedure note to be written to document this procedure and staff informed.</p> <p>Timescale: 31st December 2010</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Leisure Services Cashbooks Level of Risk - Low</p>			
<p>The Leisure Services department has two cashbooks which to some extent duplicate each other. One records all cash received, but the other only records the cash sent to the cash office. Some of the cash received is not sent to the cash office as it is held as a deposit and later returned to the payee.</p>	<p>Duplication of recording receipts.</p>	<p>There should only be one cashbook recording all receipts, and their destination. It should record:</p> <ul style="list-style-type: none"> • Date • Payee • Amount • Method of payment • Agresso code • Signature • Date sent to cash office (or date deposit returned). <p>Action: Julie Clarke - Service Support Officer, Leisure Services</p>	<p>Management Comment: Recommendation agreed duplication is not needed.</p> <p>Planned Corrective Action: The cash book has amended to reflect recommendation.</p> <p>Timescale: Implemented (25/10/10).</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Leisure Services Safe Level of Risk - Low</p>			
<p>The Leisure Services department's administration office has a small safe which is kept on a shelf and would be easy to remove.</p>	<p>Theft of the safe and its contents.</p>	<p>The Leisure Services department's safe should be made more secure.</p> <p>Action: Julie Clarke - Service Support Officer, Leisure Services</p>	<p>Management Comment: Low risk as small amount of cash kept in safe.</p> <p>Planned Corrective Action: However the safe has been moved into a lockable cupboard within the Admin office</p> <p>Timescale: Immediate</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Leisure Services - Promptness of Banking Level of Risk - Medium</p>			
<p>There can be intervals of more than one week between Leisure Services department's cash being taken from its administration office to the cash office for banking. For example after 28 June 2010, the next banking was on 8 July 2010 when £2,126 was banked.</p>	<p>Increased risk of loss of cash.</p>	<p>Cash should be taken to the cash office at least every 7 days, and ideally more frequently.</p> <p>Action: Julie Clarke - Service Support Officer, Leisure Services</p>	<p>Management Comment: Amount of cash was actually small (£30.00), remainder of Cemetery Monumental application cheques. Cash book not taken on a regular basis due to Corporate Admin do not take cash book as part of their role. Risk of large amount of cheques/cash being held is no longer a threat as Parks/Cemeteries has now transferred to Direct Services.</p> <p>Planned Corrective Action: Have made Admin staff aware that at least once a week the cash book is taken to the cash office. Also emailed Direct Services to make them aware of banking the monumental application cheques.</p> <p>Timescale: Immediate</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 a number of 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