

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 20 January 2015

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Internal Audit Report – Cash Handling and Banking

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**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Cash Handling and Banking.

**2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

**3 BACKGROUND**

- 3.1 A review of Cash Handling and Banking was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that adequate internal controls were in place covering Cash Handling and Banking at the Council's local area offices.
- 3.3 The main findings from our audit work are outlined in the attached report.

**4 POLICY IMPLICATIONS**

- 4.1 None

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None  
6.2 Personnel - None  
6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	8 January 2015

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT CASH HANDLING AND BANKING**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2014/15, a review was undertaken of the Cash Handling and Banking arrangements in place at the Council's local area offices. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- Adequate Cash Handling and Banking Procedures are in place to provide guidance to staff collecting payments.
- A cash receipting system is in operation which records all income received at the local area offices.
- A clear audit trail exists for all income received and banked.
- Adequate documentation is in place to support all bank bags uplifted by the security company for banking.
- Adequate separation of duties exists between staff responsible for income collection and staff with responsibility for reconciling income received to the bank.

#### **1.3 Areas with Scope for Improvement**

- The existing arrangements for the completion and checking of the Daily Reconciliation Sheets require review. *Risk – errors and irregularities may occur and remain undetected.*
- In some cases, there was a lack of documentation to support cancelled or void transactions. *Risk – errors and irregularities may occur and remain undetected.*
- The existing procedures for the recording of all cash held for uplift by the security company require review. *Risk – failure to adopt a consistent approach.*
- The current arrangements whereby a number of separate petty cash imprests are being held at the local area offices require review. *Risk – errors and irregularities may occur and remain undetected.*
- The security arrangements operating at the local area offices require review including key security, cash desks and security alarms. *Risk – loss or theft may occur.*
- The arrangements for checking petty cash imprests and cash floats require review. *Risk – errors and irregularities may occur and remain undetected.*

#### **1.4 Summary**

Our review of the Cash Handling and Banking arrangements in place at the local area offices has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

**Mala Garden**  
**Internal Audit Manager**

**January 2015**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.2	Consideration should be given to enhancing the existing audit trail by ensuring that receipts issued to customers include details of the cash tendered and the change given.	Medium	Service Manager – Customer Services	Agreed  Contact to be made with suppliers of Capita system to enhance receipting system		June 2015
3.2.3	Management should ensure that the cash receipting system has the facility to automatically swipe customers' payment cards.	Medium	Systems Development & Business Support Team Leader	Agreed		March 2015
3.3.1	Management should ensure that a consistent approach is adopted for the receipting and recording of all amounts to be banked.  The Customer Services Sheet should include details of all bank bags held in the safe for uplift by the security company.	Medium	Service Manager – Customer Services	Agreed  Improved process to be agreed and staff trained		April 2015

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3.3.4	<p>Management should ensure that all sections of the Daily Reconciliation Sheet are fully completed.</p> <p>The Daily Reconciliation Sheet should be checked by a person independent of the preparer and signed as evidence of the checks carried out.</p> <p>Cash should only be declared onto the system once the checking process is complete.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Training to be improved and regular checks to be carried out</p>		April 2015
3.5.1	<p>Management should ensure that all till discrepancies are fully investigated by an independent employee.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Employees to be identified and new checking regime to be put in place</p>		April 2015
3.5.2	<p>Management should ensure that the Cash Handling and Banking Procedures in place are updated to provide guidance to staff on dealing with cancelled or void transactions.</p>	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Procedures to be updated and staff trained</p>		April 2015

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3.5.2 (cont)	All cancelled till transactions should be supported by appropriate documentation – the cancelled receipt should be signed by both the cashier and supervisor and held on file.					
3.6.1	Management should ensure that Finance are provided with details of all cash imprests and floats currently held at local area offices.	Medium	Service Manager – Customer Services	Agreed  Cash imprests and floats to be reviewed with Finance		April 2015
3.6.2	Management should undertake a detailed review of the various imprests held at the local area offices – consideration should be given to operating one cash imprest by amalgamating the smaller funds.	Medium	Service Manager – Customer Services	Agreed  Cash imprests and floats to be reviewed as recommended		April 2015
3.6.3	Management should ensure that all petty cash imprests and cash floats are checked on a regular basis.	Medium	Service Manager – Customer Services	Agreed  New procedures to be put in place		April 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1	Management should review the security arrangements operating at the local area offices – the review should cover key security, cash desks and security alarms.	Medium	Service Manager – Customer Services	<p>Agreed</p> <p>Review to be undertaken</p> <p>Cash desk at JMH programmed to be moved to Main Reception, JMH in near future so interim arrangements may need to be put in place</p>		April 2015

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.