

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

CASH AND BANKING AUDIT FOR 2015-16

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Report No.: CX/002/01/2015

CASH AND BANKING AUDIT 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Cash and Banking. The audit was part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. It was identified that for the period 1 April 2015 to 30 September 2015, £17.4m was collected via cashiers and the kiosk involving 29,788 transactions.

AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference issued on 15th January 2016.

AUDIT OPINION

5. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

6. The audit reviewed controls in the following areas: Policies and Procedures, Postal Income, Kiosk Income (Cashiers and Penge Library), Reliability of Transactions, Banking and Security of Monies, Contract Monitoring and Imprest Account (Central Library).

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7. A number of procedures were in place for both the Cashiers and the Kiosk at Penge Library. However, these were not evidenced as having been reviewed recently and some had no date recorded on the document.
8. On examining three days of postal remittances and kiosk transactions, 20 were cheque payments received via the post. Out of these 20, 11 had supporting documentation date stamped but nine did not have any date stamp.
9. Collection and Deposit Returns at Penge Library are not signed by the two officers involved in preparing the returns, but instead have their names typed on to the form.
10. Although the Petty Cash Imprest Account at the Central Library that reimburses officers at 11 libraries is reconciled regularly there is no evidence to support this.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. None.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Up to Date Procedures There is a Cashiers Kiosk Procedure and Bromley Emergency Procedures but they are dated 2013/14 and November 2013 respectively. There is also a Returning Cheques Procedure for the Cashiers that has no date recorded.</p> <p>At Penge Library, the Financial Procedures document was dated 2011/12; a Staff Instruction for Cash Control was dated March 2014; and a New Kiosk procedure note was not dated.</p>	Where procedures are not reviewed and updated regularly, there is an increased risk that outdated procedures are followed and inappropriate actions taken. This could lead to inefficient practices and/or financial loss to the Council.	<p>Procedures should be periodically reviewed and updated where necessary. The last review date should be recorded on the document as evidence of the review.</p> <p>[Priority 2]</p>
2	<p>Postal Income Processing Out of 20 cheque payments received via the post, nine did not have the supporting documentation date stamped.</p>	Where postal remittances are not date stamped, it is difficult to identify if any delays in processing have occurred.	<p>All postal remittances should have the supporting documentation such as letter, envelope etc stamped with the date they were received.</p> <p>[Priority 3]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Kiosk at Penge Library The Collection and Deposit Returns completed for income from the two kiosks and the library cash tills have the names of the two officers involved typed on them. However, there is no requirement for them to sign their names as evidence of them counting the money and preparing the returns.</p>	<p>If handwritten signatures are not required on Collection and Deposit Returns, there is a possibility that the names typed on the return are incorrect.</p>	<p>The Collection and Deposit Returns should be amended to require a handwritten signature by the two officers involved in the process. [Priority 2]</p>
4	<p>Petty Cash Imprest Reconciliation The periodic reconciliation of the Petty Cash Imprest Account at the Central Library is not signed or dated by the officer performing the reconciliation and is not checked by an independent officer.</p>	<p>If the reconciliation is not signed or dated there is no evidence of who carried out the reconciliation and who checked it. In addition, there is a risk that errors may not be identified and corrected.</p>	<p>The reconciliation should be signed and dated by the officer performing the reconciliation and evidence of should also be retained. [Priority 2]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Procedures should be periodically reviewed and updated where necessary. The last review date should be recorded on the document as evidence of the review.	2	Libraries. The Staff Manual instructions SM12 Cash Control and SM12A Financial Procedures will be reviewed and updated. Kiosk Instructions will be added to the Staff Manual as SM12E The last review date will be recorded on each document as evidence of the review. The cashiers working practices and procedures are being reviewed as part of the review of the Exchequer Contractor SLR's	Sally Adcock (Assistant Operations Manager) John Nightingale (Head of Revenues &Benefits)	August 2016 September 2016
2	All postal remittances should have the supporting documentation such as letter, envelope etc stamped with the date they were received.	3	Agreed The requirement will be reiterated at the next service review	John Nightingale (Head of Revenues &Benefits)	August 2016

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	The Collection and Deposit Returns for Penge Library should be amended to require a handwritten signature by the two officers involved in the process.	2	Libraries. The Collection and Deposit Returns will be amended to require a handwritten signature by the two officers for the file copy held at each branch library. The electronic copy will still be emailed to the Exchequer Contractor, which will have the two names typed on.	Sally Adcock (Assistant Operations Manager)	August 2016
4	The reconciliation should be signed and dated by the officer performing the reconciliation and evidence of should also be retained.	2	Libraries. Staff Manual instructions SM12C Procedure for Invoices, Accounts, Delivery Notes, Petty Cash and SM12D Claiming Petty Cash will be reviewed and updated to include this instruction for Petty Cash Imprest Reconciliation.	Sally Adcock (Assistant Operations Manager)	August 2016

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OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there are a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

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