

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF CASH AND BANKING FOR 2017-18

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REVIEW OF CASH AND BANKING FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Cash and Banking for 2017/18. The audit was carried out as part of the programmed work specified in the 2017-18 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. For the current financial year up until the end of June 2017, there had been a total of 10,349 transactions totalling £5,662,594.03.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 14th June 2017. The period covered by this report is from 1st June 2016 to 31st May 2017. It did not cover parking income.

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.

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MANAGEMENT SUMMARY

6. The following was tested:

- 3 days of postal income totalling 105 transactions
- 5 days of kiosk transactions for both Cashiers and Penge Library
- 5 weeks of kiosk collections at Penge Library
- 5 days of cash and cheque banking by Cashiers
- 10 stopped cheques
- 20 days of telephone and internet transactions and
- 6 Imprest Accounts: Orpington Library, Crystal Palace Park, Park Services, Bromley Area Office, Children's Social Care Referral and Assessment Team and Housing.

7. Controls were in place and working well in that:

- Kiosk transactions were accurately recorded on the systems at both Penge Library and in Cashiers;
- Measures taken for emptying the kiosk at both Penge Library and in Cashiers were secure;
- Kiosk income was fully accounted for at Penge Library and formally reconciled;
- Stopped cheques were effectively identified and debited from individual accounts accordingly;
- Income was banked daily and no banking discrepancies were noted from sample testing; and
- Contract monitoring meetings take place between the Head of Revenues and Benefits and Liberata on a monthly basis. Performance was effectively reported to members in the form of monitoring reports to the Executive and Resources Policy Development and Scrutiny Committee produced by the Head of Revenues and Benefits.

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8. However, we would like to bring to management attention the following issues:

- Two of the imprests in our sample were for the Crystal Palace Park and Park Services imprest accounts. We noted that this service area had been outsourced in June 2015 but the imprest accounts had not been recovered. The imprest holder informed us that the accounts had been unused during the 2016/17 and current financial years. The annual imprest return and analysis of financial records shows no evidence of any payments made from the imprest during that time and only £2.70 during the 2015/16 financial year.
- Vouchers and receipts for the Crystal Palace Park and Park Services imprest accounts' transactions were not provided. This was due to a break-in and £185.00, as well as all vouchers and receipts for the Crystal Palace Park and Parks Services imprest accounts, were stolen. This was reported to the police. There was no cash book in operation.
- There was no evidence to confirm that the Children's Social Care Referral and Assessment Team and Bromley Area Office imprest accounts had been formally reconciled by one officer and independently checked. The total value of this imprest account was £10,000.
- The Cashier's Cash and Banking Operating Procedures had not been updated to reflect changes in working practices.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were none.

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DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. 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

11. We would like to thank all staff contacted during this review for their help and co-operation.

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p>Imprest accounts – Outsourced services</p> <p>A random sample of imprests were selected to test that expenditure for June 2017 was supported by vouchers and receipts and that vouchers had been appropriately authorised in line with Financial Regulations. Two of the imprests in our sample were for the Crystal Palace Park and Parks Services imprest accounts.</p> <p>We noted that this services area had been outsourced in June 2015 but the imprest accounts had not been recovered. The imprest holder informed us that the accounts had been unused during the 2016/17 and current financial years. The annual imprest return and analysis of financial records shows no evidence of any payments made from the imprest during that time and only £2.70 during the 2015/16 financial year.</p>	<p>Risk of inappropriate use and/or loss of Council monies.</p>	<p>At the end of the financial year, identify any outsourced services where imprest accounts have not been recovered from imprest holders. Notify the relevant Chief Officer and ensure that these imprest accounts are returned to the Council with monies and supporting documentation intact.</p> <p>(Priority 2)</p>
2	<p>Imprest Accounts – Transactions and security of monies</p> <p>At the end of the 2016-17 financial year, the Enforcement Manager and Neighbourhood Manager certified that the Crystal Palace Park imprest account contained £85 worth of cash and £215 worth of vouchers. The Parks’ Services imprest account</p>	<p>Where imprest account security measures are not adopted by staff, there is an increased risk of theft and loss of monies from imprest</p>	<p>At the end of the financial year, remind imprest holders of :-</p> <p>(a) the need to maintain cash books for all</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

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APPENDIX A

No.	Findings	Risk	Recommendation
	<p>contained £100 worth of cash.</p> <p>When we requested to see the Crystal Palace Park and Parks Services imprest accounts' vouchers and receipts for the June 2017 transactions, we were informed by the imprest holder that there had been a break in on the weekend of 15th and 16th July 2017 and the £185 in cash for the Crystal Palace and Parks Services imprest had been stolen. This had been reported to the police (Crime ref: 3314062/17).</p> <p>We were told by the imprest holder that the monies had been taken out from the safe by him ahead of the audit inspection, but not returned to the safe and kept in a locked office drawer instead.</p> <p>We were also told that no vouchers or receipts were available as these had been retained in the cash tin which was stolen. There was no cash book in operation.</p>	<p>accounts.</p> <p>Where imprest account transactions are not formally recorded, there is a risk that departments are unable to account for transactions, and are therefore unable to demonstrate openness and transparency.</p>	<p>transactions and</p> <p>(b) the security procedures required for the handling of vouchers and cash from imprest accounts.</p> <p>(Priority 2)</p>

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3	<p>Postal Income</p> <p>It was confirmed through discussion that there are usually two officers involved in sorting the cheques that come through the post. Discussion with the Cashiers and Post Room Supervisor established that this does not always happen due to staff shortages at times and it depends on who is in the office at the time. This means that it is possible that one officer may sort the post and record the income on the cash receipting system.</p>	<p>Where a segregation of duties is not in place for sorting post and recording income on the cash receipting system, there is a risk of potentially fraudulent activity and/or errors in recording income on the cash receipting system.</p>	<p>There should always be two individuals involved in opening post and a separate officer should record transactions on the cash receipting system to maintain a segregation of duties.</p> <p>(Priority 2)</p>
4	<p>Children’s Social Care Referral Assessment Team and Bromley Area Imprest Accounts</p> <p>Examination of the cash books for the Bromley Area Office and CSC Referral Assessment Team imprest accounts established that reconciliations are done once reimbursement claims have been made. This is made clear in red ink in the cash books. These are then checked by an independent officer. However, there are no signatures from members of staff to evidence that reconciliations have been carried out by one officer and/or independently checked.</p>	<p>There is a risk that departments are unable to evidence that imprest account reconciliations have taken place and have been independently checked.</p>	<p>Imprest account reconciliations should be evidenced as having been carried out by one officer and checked by an independent officer.</p> <p>(Priority 3)</p>

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5	<p>Policies and Procedures The Cashier's Cash and Banking Operating Procedures were version dated 2015/16. As at 1st April 2017, the duties for parking income collection were transferred to another contractor. However, the Operating Procedures had not been updated to reflect this.</p>	<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>	<p>The Cash and Banking Operating Procedures should be updated to reflect existing working practices. (Priority 3) *</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	At the end of the financial year, remind imprest holders of:- (a) the need to maintain cash books for all transactions and (b) the security procedures required for the handling of vouchers and cash from imprest accounts.	Priority 2	<p>To ensure that this is actioned in all Directorates, Chief Officers were notified of this recommendation by the Head of Internal Audit in an email dated 5 December 2017.</p> <p><i>Response from Dan Jones, Director of Environment (in relation to the Crystal Palace Park and Parks Services imprest):-</i></p> <p>The two imprest accounts of Crystal Palace Park and Parks Services have been closed down and will not be renewed.</p>	<p>Chief Officers</p> <p>Street Enforcement Manager</p>	<p>End of 2017/18 financial year</p> <p>Completed December 2017</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	There should always be two individuals involved in opening post and a separate officer should record transactions on the cash receipting system to maintain a segregation of duties.	Priority 2	<p><i>Response from Head of Revenues and Benefits and Cashiers and Post Room Supervisor:-</i></p> <p>The requirement for 2 individuals to be present during post opening has been alleviated by the installation of CCTV.</p> <p>Separation of duties in opening post and recording transactions still applies.</p>	Head of Revenues and Benefits and Cashiers & Post Room Supervisor (Liberata)	Implemented
4	Imprest account reconciliations should be evidenced as having been carried out by one officer and checked by an independent officer.	Priority 3	<p><i>Response from David Bradshaw, Head of Education, Care and Health Services Finance:-</i></p> <p>I will remind my service that imprest holders/managers need to reconcile regularly, sign the reconciliation and get an</p>	Head of Education, Care and Health Services Finance	31 March 2018

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			independent sign off evidenced.		
5	The Cash and Banking Operating Procedures should be updated to reflect existing working practices.	Priority 3*	Recommendation agreed.	Cashiers & Post Room Supervisor (Liberata)	28 February 2018

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OPINION DEFINITIONS

APPENDIX C

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 is 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.