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FINAL INTERNAL AUDIT REPORT

CHIEF EXECUTIVE DEPARTMENT

CASH AND BANK

Issued to: Assistant Director, Exchequer Services
Revenues and Benefit Manager
Head of Financial Systems
Head of Corporate Finance and Accounting
Director of Finance (Final report only)

Prepared by: Trainee Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 07 February 2023

Report No.: CEX/02/2022

CASH AND BANK

INTRODUCTION

1. This report sets out the results of our audit of Cash and Bank. The audit was carried out as part of the work specified in the six-monthly Internal Audit Plan for 2022-23, agreed by the Audit and Risk Management Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The objective of the audit was to review the effectiveness of controls in place to ensure income is received, allocated and banked accurately and intact.
3. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference and subsequently we tested the following key risks:
 - Theft or loss of income through fraud or error, which may also create reputational damage
 - Errors are made in recording and processing of income
 - There are delays in processing and recording of income

AUDIT OPINION

5. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Substantial Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

CASH AND BANK

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	1	3

SUMMARY OF FINDINGS

6. The audit has identified the following controls in place and working as expected:
 - Income received via bank, cheques, telephone, internet and cash is recorded and processed accurately and intact.
 - KPIs are reviewed monthly by the Revenues and Benefits Manager and review of the outcomes for September identified that performance is meeting targets.
 - The policies and procedures for cashiers are held at the Cashier’s Office and readily available to staff.

7. Management should consider the key findings summarised as follows:
 - Corporate Finance Team is currently not undertaking any reconciliation on income received by the Council.

8. We would like to thank all staff contacted for their help and cooperation during the audit.
9. The Management Action Plan is set out in Appendix A and Appendix B defines the audit opinion and recommendation ratings.

CASH AND BANK

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

1. <u>Reconciliation of income</u>	
<u>Finding</u>	
<p>Corporate Finance Team is currently not undertaking any reconciliation on the income received by the Council. Council's Senior Accountant has advised that this is due to operational issues and the function is planning to implement reconciliations by the end of January 2023.</p> <p>As part of the audit, we also examined other measures that function had had taken to mitigate the risks in the absence of income reconciliation and did not find them robust in highlighting errors or exceptions in the received income.</p>	
<u>Risk</u>	
Errors, exceptions and discrepancies may not be identified, investigated and rectified timely.	
<u>Recommendation</u>	<u>Rating</u>
The Head of Finance and Accounting should set a clear timescale for completing the reconciliation, ensuring that procedures are drawn up and that there are sufficient staff trained to cover the reconciliation in the event that the responsible officer is absent.	Priority 2
<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The reconciliation process has been delayed in 2022/23 owing to prolonged staff absences and the implementation of the Council's new finance system – the latter has meant that the cash income reconciliation process is completely new and consequently it has taken some time to understand the underlying processes and implement the reconciliation.</p> <p>Accountable Manager: Senior Accountant – Technical & Control</p>	January 2023 onwards

CASH AND BANK

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

<p><u>2. Delay in banking – Sites A and B kiosk cheques</u></p>	
<p><u>Finding</u></p> <p>Our sample testing of five cheques received at the Sites A and B identified that four were banked with a delay of eight to ten working days.</p> <p>We are awaiting a response from the Council's Exchequer contractor regarding the possible reasons for this.</p> <p><u>Risk</u></p> <p>Any delay in processing cheques may increase the risk that there are insufficient funds in the client's account to honour the cheque.</p>	
<p><u>Recommendation</u></p> <p>The Assistant Director, Exchequer Services should discuss the banking arrangements with the Council's Exchequer contractor for Site A / Site B and investigate the reason for the delay in banking, to identify if any measures can be implemented to improve timeliness of banking.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90ee90; padding: 5px; display: inline-block;"> <p>Priority 3</p> </div>
<p><u>Management Response and Accountable Manager</u></p> <p>The receipts from the Council's Exchequer contractor's Site A (previously Site B) office are collected by their cash collection contractor who should then deposit them with the Bank's Cash Centre on the following working day. The Council's Exchequer contractor contacted their cash collection contractor regarding the delays in banking and they advised that any delays would be at the Bank's Cash Centre end. The cash collection contractor confirmed that they would be able to provide a Proof of Deposit for any days under question and this has been requested. Once this is received the delays will be discussed with the bank.</p> <p>Assistant Director, Exchequer Services</p>	<p><u>Agreed timescale</u></p> <p>28/02/23</p>

CASH AND BANK

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

3. <u>Money Laundering Policy</u>	
<u>Finding</u>	
<p>Council's Exchequer contractor's Cashier Function did not have access to the Council's Anti-Money Laundering Policy.</p> <p>As per the contracted service requirements, the Council's Exchequer contractor's Cashier Function should ensure that appropriate officers attend Money Laundering Training and that procedures are put in place to ensure they comply with the regulations specifically with regard to identification procedures.</p> <p>We also noted that the Council's Exchequer contractor's 'Cashiers Anti-Money Laundering Awareness Training' document provides incorrect guidance on contacting the Council's Head of Audit for reporting any cash payments over £5,000; this is no longer aligned with Money Laundering roles and responsibilities within the Council.</p>	
<u>Risk</u>	
<p>All legal obligations, safeguards and reporting arrangements may not be complied with.</p>	
<u>Recommendation</u>	<u>Rating</u>
<p>The Assistant Director, Exchequer Services should review the Council's Anti-Money Laundering Policy and ensure that the Council's Exchequer contractor's relevant processes and procedures align.</p>	<div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;">Priority 3</div>
<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>Council's Exchequer contractor have been provided with the Council's Anti-Money Laundering Policy and a review of their processes will be conducted to ensure they align.</p> <p>Assistant Director, Exchequer Services</p>	<p>28/02/23</p>

CASH AND BANK

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

<p>An annual review of the Council's Exchequer contractor's procedures will be carried out and refresher training for its employees will also be scheduled.</p> <p>F & A Council's Exchequer contractor's Service Delivery Manager</p>	<p>28/02/23</p>
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<p>4. Keys</p>	
<p><u>Finding</u></p> <p>We noted that the keys for storing Bromley kiosk's float can be accessed by any staff working there without restriction.</p> <p><u>Risk</u></p> <p>Inability to investigate and identify the responsible person in case of missing or lost Bromley kiosk float.</p>	
<p><u>Recommendation</u></p> <p>The Assistant Director, Exchequer Services should liaise with the Council's Exchequer contractor and ensure that this money is kept securely.</p>	<p><u>Rating</u></p> <p>Priority 3</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Agreed Council's Exchequer contractor's F & A Service Delivery Manager</p>	<p><u>Agreed timescale</u></p> <p>28/02/23</p>

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.