

Final Internal Audit Report

Cashiers (Cash Handling)

July 2018

Distribution:

- Executive Director of Resources and s151 Officer (Final report only)
- Director of Human Resources
- Head of HR and Finance Service Centre
- Transactional Finance Manager
- Cash and Control Team Manager

Assurance Level	Recommendations Made	
Full Assurance	Priority 1	0
	Priority 2	0
	Priority 3	1

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents

Page

Executive Summary

1. Introduction.....	2
2. Key Issues.....	2
3. Priority 3 Issue.....	3

Appendices

1. Terms Of Reference
2. Definitions For Audit Opinions And Recommendations
3. Statement Of Responsibility

Executive Summary

1. Introduction

- 1.1 The Cash and Control Team receive cash income from various locations in the borough. They are responsible for counting income received, recording it on ACR and banking it. Cash bags are delivered daily by Contract Security Services (CSS).
- 1.2 The Cash and Control Team Manager reports to the Transactional Finance Manager.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. Key Issues

There were no priority 1 or 2 issues identified.

The Priority 3 issue is highlighted under area 3 below.

3. Priority 3 Issue

Action Proposed by Management	Findings
<p>a) The secure room protocols document will be updated to include both of these procedures by the 31 July 2018.</p>	<p>The Secure Room Protocols introduced in May 2018 provide a detailed description of the daily process for receiving, counting, recording and banking cash.</p> <p>The entire daily process was observed by Internal Audit on 29th May 2018. Comparison of observed procedures with the Secure Room Protocols identified two procedures which were not recorded in the Protocols:</p> <ul style="list-style-type: none"> • At the end of each counting session, total cash is agreed by the two counting officers and they both sign the daily cash balance form. • The top copy of each Departmental Credit Form is receipted on ACR and returned to the originating establishment. <p>It was also noted that the limit for the main safe was incorrectly recorded in the protocols.</p> <p>Where documented procedures are incomplete or not up to date, there is a risk that staff may not work in an efficient and effective manner.</p>

TERMS OF REFERENCE

Cashiers (Cash Handling)

1. INTRODUCTION

- 1.1 Cashiers staff in the Resources Directorate receive cash income from various locations in the borough. They are responsible for counting income received, recording it on Oracle and banking it. Cashiers staff also process other types of income (e.g. direct debits, bank credits and cheques).
- 1.2 The Transactional Finance Manager is responsible for the Cashiers function.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Cashiers (Cash Handling).
- 2.2 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.3 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit examined the Council's arrangements for the following areas relating to Cashiers (Cash Handling) (and number of recommendations made):

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Policies and Procedures	0	0	0
Cash Security	0	0	0
Cash Counting	0	0	0
Recording of Cash Income	0	0	1
Unders and Overs	0	0	0
Banking	0	0	0
Daily Cash Reconciliations	0	0	0
TOTAL	0	0	1

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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