



Cash Handling and Income Management

City of York Council

Internal Audit Report 2014/15

Business Unit: Customer & Business Support Services
Responsible Officer: Director of Customer and Business Support Services
Service Manager: Head of Financial Procedures
Date Issued: 18/05/2015
Status: Final
Reference: 10330/006

	P1	P2	P3
Actions	0	0	7
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

In the last couple of years the transactional services section has moved away from being the core service responsible for the physical cash banking of all council income to become the business banking team for the authority. This move has been brought about by the move into West Offices and changes in how the council manages its income. All council services are now responsible for banking their own income and must ensure that they are operating the correct control environment for processing and banking their income. Transactional Services are responsible for ensuring that all of the council's income is correctly recorded on the council's financial systems, regardless of the method of payment.

This audit will focus on the cash handling arrangements within a sample of council services and the revised income management arrangements now in place (since the move to West Offices) within the transactional services section.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls in operation across the council ensure that:

- Income is protected from loss and theft; from receipt through to banking payments (including customer refunds).
- All income is accurately processed, banked and accounted for with the appropriate records maintained.
- Processes for income collection and banking within the service areas tested, comply with the council's financial regulations and guidance.
- The council operates the correct and appropriate methods for customer payments.

Key Findings

The findings for individual services are summarised below. Actions will be discussed and agreed with services individually. Since the last audit the council has introduced a new method of payment for its customers (Barclays Pingit) and a new temporary intranet has been put in place. Neither of these has presented any issues to the transactional services team. The team have ensured that the correct versions of all policies and procedures remain available to staff at all times. However, there are no cash handling procedures available.

Overall Conclusions

It was found that within the transactional services section there was very good management of risk and an effective control environment appears to be in place. However, in the sample of council services reviewed as part of this audit, the arrangements for managing risk were only satisfactory with a number of weaknesses identified. It is, therefore, our overall opinion that the controls within the council at the time of the audit provided Reasonable Assurance.

Service Area	Finding and Risk	Priority	Action	Responsible Officer	Timescale
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Transactional Services	There are no cash handling procedures available on the financial procedures temporary intranet pages. Risk: Income collection outlets follow cash handling procedures which are inadequate, leading to potential financial loss.	3	Consideration should be given to holding some generic cash handling procedures that departments could use as a reference point from which to establish their own local processes. This could include description of the income records that are expected to be retained as a minimum.	Head of Financial Procedures	31 July 2015

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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