



Cash Handling

City of York Council

Internal Audit Report 2019/20

Business Unit: Cross Cutting
Responsible Officer: Director of Corporate and Customer Services
Director, Economy and Place
Service Manager: Corporate Finance Manager
Date Issued: 01 April 2021
Status: Final
Reference: 10330/011

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

Ineffective process and procedures while handling cash payments can potentially lead to the following risks occurring:

- Inefficiency in the use of resources for collecting, processing, managing and securing cash.
- Theft and loss of funds due to misappropriation, errors or failure to implement robust cash handling procedures leading to damage to the reputation of the organisation and its staff.
- Money laundering.

In recent years the council has significantly reduced the amount of cash that it handles. However, a number of departments retain a cash payment facility, for a wide range of services, such as the registrars and customer services centre. The total cash received by the council for the period October 2019 to December 2019 totalled approximately £50,000.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:

- The cash handling process undertaken by departments is in line with the council's cash handling procedure notes.
- Departments are exploring ways to implement the council policy of reducing payments by cash.

The audit reviewed the extent to which cash is received within the Economy and Place directorate as well as significant sources of cash receipts within other directorates.

Key Findings

The audit focussed on cash handling procedures across all directorates. It found that the only cash handled by the Economy and Place directorate was that handled at Hazel Court. All other cash income received by the Economy and Place directorate is received through the Customer Service centre at West Offices. The handling of cash at Hazel court is being reviewed in a separate audit of commercial waste.

We looked at a sample of departments that accepted cash throughout the council. It was found that the principles outlined in the council's Cash Handling Procedure document were being followed, leading to robust cash handling procedures across the council. Numbered and sequential receipts are issued for cash received; cash is stored securely; banking is undertaken regularly by the majority of departments; records of cash transactions are kept; reconciliations are undertaken appropriately and procedures are in place if discrepancies are found between the amount of cash received and the expected amount.

Some issues were identified at Mansion House and the crematorium where banking was not conducted frequently, leading to safe insurance limits being exceeded on occasions.

The audit explored the ways in which departments were implementing the council's policy of reducing payments by cash. It was found that, in the areas where reducing or eliminating cash payments is feasible, the council are moving towards a cashless system. For example, the customer centre at West Offices is encouraging businesses to purchase parking permits online only and the registrars department is looking to move to a completely cashless system in April 2020. However, due to the wide demographic of the public that is served by the council, securing a totally cashless system across all services will prove difficult at this time.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

1 Banking

Issue/Control Weakness

Banking is not carried out frequently at Mansion House and the crematorium.

Risk

Safe limits are exceeded leading to uninsured cash being unable to be recovered in the event of theft or incident.

Findings

The council's Cash Handling procedure states as one of its principles all cash received must be banked on a regular basis at a frequency specified and agreed by management.

At the Crematorium, we found that banking was being carried out on a monthly basis. On one occasion in the past twelve months we found that the Crematorium had banked approximately £1,240. This had exceeded the insurance limit of the safe by £240. At Mansion House, cash is banked every two weeks. On one occasion we found that the cash banked was approximately £2,250 which is more than double the insurance limit of the safe.

Cash stored in safes is only insured up to the safe limit. This means that if cash were stolen from the safe or lost due to an incident, the council would not be able to recover the full value of the cash stored from the insurer.

Agreed Action 1.1

Staff responsible for the handling of cash will be asked to bank cash more regularly and ensure that safe limits are not exceeded

Priority

3

Responsible Officer

David Walker

Timescale

30 September 21

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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