



Internal Audit Report

FINAL

Community Services – Children & Families

Review of Cash, Income and Banking

May 2011

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1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Cash, Income and Banking within the Community Services Department as part of the 2011/2012 Internal Audit programme. The specific focus on this Audit was on Children & Families and specifically the Children's Units and Area Teams.

As part of the Audit the following sites were visited: Dunclutha, Dunoon Area Team, Helensburgh Children's Unit, Helensburgh Area Team, Shellach View and Soroba Road Oban – Area Team. The contents of this report therefore draw on the findings obtained from these site visits.

2 AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was as follows;

- To ensure that there are appropriate written procedures in place for the collection, storage and distribution of cash within the Children & Families function in the Area Team Offices and Children's Homes and; are operated in accordance with Argyll & Bute Council's Financial & Security Regulations.
- That Argyll & Bute Council's insurance policy adequately covers the cash and banking functions, including the transportation and storage of cash.
- There are controls in place to ensure that the integrity of cash and that the collection/distribution of cash is effective and that there is adequate segregation of duties.
- Verify that there is effective security in place for the processing and distribution of cash.
- That the levels of petty cash imprest are appropriate and there is an adequate audit trail of any expenditure.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The areas identified were:

SR16 Failure to have a robust internal control process and system

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

- 5.1 It was found that there were appropriate procedures in place for the collection, storage and distribution of cash within the Children & Families function in the Area Team Offices and Children's Homes.
- 5.2 Argyll & Bute Council's insurance policies cover the cash and banking functions, including the transportation and storage of cash.
- 5.3 Internal Audit found that in each location visited that there are controls in place for the collection, storage and distribution of cash.
- 5.4 Internal Audit found that in each location visited appropriate paper work and authorisation procedures were in place for the distribution of cash.
- 5.5 That in each location visited every effort was being made by staff ensure that receipts are being obtained for all purchases made.

6 RECOMMENDATIONS

Five recommendations were identified as a result of the audit, 2 high, 2 medium and one low of priority. The recommendations are shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7 AUDIT OPINION

Based on the findings we can conclude that there are appropriate controls and procedures in place for collection, storage and distribution of cash within the Children & Families function in the Area Team Offices and Children's Homes.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to Children & Families staff in each of the locations visited for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	There are appropriate procedures in place for the collection, storage and distribution of cash within the Children & Families function in the Area Team Offices and Children's Homes. Written Imprest Procedures were distributed by Community Services, however not all units or offices had received a copy of these. Internal Audit was advised that no corporate imprest procedures were available for distribution.	Medium	The Community Services imprest procedures should be reviewed and updated at a corporate level and distributed to all imprest holders plus any staff responsible on a daily basis for imprest. Procedures and guidance on how to deal with cash differences should be included in these procedures.	Head of Customer and Support Services	31 August 2011
2	During the Audit the cash difference accounting code was reviewed and it was found that a number of cost centres had a number of cash differences recorded on a monthly basis.	High	A regular report of the accounting code – cash differences should be run to identify any significant recurring difficulties in balancing cash.	Revenues and Benefits Manager	30 September 2011

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	On enquiry Internal Audit found that there was very little segregation of duties within the Area Team Offices visited. It was found that one person took sole responsibility for the imprest procedure including the distribution of cash and the imprest reclaim process.	High	Consideration should be given as to how there could be greater segregation of duties within the Area Teams for cash/imprest, alternatively consideration could be given to management/supervisors signing off that they have checked imprest and that it is balanced. This would allow for greater governance.	Head of Children & Families	31 October 2011
5	Consideration should be given to seeking alternatives to the use cash for purchases. This should include giving consideration to submitting applications for access to Argyll & Bute Council's purchasing card system; this could be used as an alternate to the use of cash where appropriate. Once introduced the	Medium	Consideration should be given to seeking alternatives to the distribution and use cash for purchases. This should include giving consideration to submitting applications for access to Argyll & Bute Council's purchasing card system; this could be used as an alternate to the use of cash where appropriate. Once introduced the imprest	Head of Children & Families	31 October 2011

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	<p>imprest levels should be reviewed with a view to reducing the current cash value levels of imprest across Children & Families.</p>		<p>levels should be reviewed with a view to reducing the current cash levels level of imprest across Children & Families. This is currently being actioned.</p>		