



Internal Audit Assurance & Consultancy  
**Final Internal Audit Report**  
**Cash & Payments 2007-08**  
STEVENAGE BOROUGH COUNCIL

**To:** Ian Wilson, Local Taxation Manager,  
Milan Joshi, Accountancy Services Manager  
Mark Simpson, Finance Project Manager  
Emma Rose, Head of Environment Health and Licensing

**For Information:** Carl Roberts, Head of Revenues (Final Only)  
Clare Fletcher, Head of Finance (Final Only)

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**1. Introduction**

An audit of Cash & Payments has been carried out as part of the 2007-08 Audit Plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

**2. Findings and Recommendations**

The detailed findings and recommendations are set out in the report attached as Appendix A to this memo. A Management Action Plan is attached as Appendix B and is intended to be completed by the officers responsible, as identified on the plan.

**3. Conclusions**

Overall, from the work undertaken by Internal Audit, adequate systems are in place to effectively operate the cash and payments function. We have identified some control weaknesses and have made three recommendations for improvement. The recommendations relate to the clarification of insurance cover for safes, periodic changes to keypad combinations and postal income remittances.

Therefore, based on our audit findings, Internal Audit has assigned **Substantial Assurance**<sup>1</sup> to the systems and procedures which underpin the Cash & Payment receipting system.

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<sup>1</sup> See Appendix C for definition of Assurance Levels

## Cash & Payments 2007-08

### 1. AREAS COVERED DURING THE AUDIT

1.1 The key areas of **possible** risk identified at the planning stage of the audit were as follows:

- a) Procedures do not comply with Council's policies;
- b) Members of the public are not able to easily make payments to the Council;
- c) Payments received are not promptly and accurately recorded on the cash receipting system;
- d) There are delays in crediting receipts to the Council's bank account;
- e) Reconciliations of income received to that actually banked are not regularly undertaken;
- f) There are delays and errors in posting receipts to income/debtor accounts;
- g) Reconciliations between cash receipting and interfacing systems are not carried out;
- h) Suspense accounts are not proactively managed;
- i) Inadequate insurance and security measures in place for staff and revenue;
- j) Unauthorised staff, or staff with conflicting duties, have access to cash receipts and related records;
- k) Failure of IT systems;
- l) There are no measures in place to protect the Council from fraudulent / corrupt practice.

1.2 The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

### 2. OVERALL AUDIT OPINION

Based on our audit findings, Internal Audit has assigned <b>Substantial Assurance</b> to the systems and procedures which underpin the Cash & Payment Receipting system.
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### **3. PREVIOUS RECOMMENDATIONS (2006-07)**

- 3.1 The previous audit 2006-07 made 19 recommendations, of which eight have been implemented, four are partly implemented and seven remain unimplemented. Those that remained unimplemented relate to contract arrangements with Loomis, the company contracted to collect and bank from the SBC Security Team.
- 3.2 Previous recommendations that remained unimplemented are outlined in the Management Action Plan [MAP], attached as Appendix B.
- 3.3 **Background**  
Cash income is received through a number of sources and methods of payment. The previous audit examined the ATM (Automated Transaction Machine) and the Internal Postal Remittance payment methods from several sections within SBC. In addition to the above areas, this audit examined electronic payments and outstations.

### **4. CURRENT RECOMMENDATIONS**

#### **4.1 AUTOMATED TELLER MACHINE [ATM]**

- 4.1.1 Payments by cash can be made using the Automated Teller Machine [ATM] located at the Customer Service Centre, at Daneshill House. This involves enclosing cash in pre-printed envelopes. The ATM machine prints out a receipt once the customer has deposited his/her envelope and entered the transaction.
- 4.1.2 Since the previous audit there has been a change in personnel collecting the income from the ATM. It was previously collected by the Security Team, however it is now collected by the one of two Revenue Support Officers and a Cashiers Officer. Internal Audit were informed that the Cashiers Officer does not get involved in removing items from ATM. If the Revenue Support Officers continue not to be involved in the counting of the income, Internal Audit would accept this change in control. Therefore a recommendation has not been raised

#### **4.2 Postal Income Remittance**

- 4.2.1 Postal income remittance sheets should be completed and signed by two officers within service sections before passing to Cashiers for processing. Internal Audit examined 48 postal income remittance sheets across a sample of service sections. Testing identified that the template for the Environmental Health section's postal income remittance only had space for one signature and therefore was being signed by one officer.
- 4.2.2 **It is recommended that** the two officers within Environmental Health check and sign the postal income remittance form before passing to Cashiers for processing. The Environmental Health Section's postal income remittance template should be updated to allow an extra officer to sign.

### 4.3 Door Security

4.3.1 There has been a significant turnover in staff within the Cashiers Office and the keypad combination code has not yet been subject to change. The Senior Security Officer advised Internal Audit that the keypad combination code to the Security Team Office area is not subject to periodic change.

4.3.2 **It is recommended that** the combination code to gain entry to the Cashiers Office and the Security Team Office area be subject to periodic change and also when there is a significant turnover in staff.

### 4.4 Insurance cover for Safes

4.4.1 There are two safes in operation at Swingate House and another safe in the Cashiers Office at Daneshill House. An internal list obtained from the Insurance Team indicates that the upper limit for one of the Swingate safes is £120k. However, the 2008-09 insurance policy document states that the cover for loss of money in the premises, in locked safes or strongrooms is £50,000 and the Security Team thought the limit for cash in a safe was £75k.

4.4.2 **It is recommended that** the level of insurance cover for the loss of money from safes is established and is communicated to all appropriate staff.

Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implementation date
<b>PREVIOUS RECOMMENDATIONS</b>						
4.6i	<b>We recommend</b> that a current copy of the Loomis [previously known as Securitas] Terms and Conditions plus the current Client Service Schedule be obtained, reviewed, agreed and held on file.	L	Agreed	Local Taxation Manager	I will contact Loomis and discuss	01/08/088
4.6ii	<b>We recommend</b> that as part of the contract review and discussions with Loomis, consideration should be given to:  a. Monitoring the collection and delivery of cash. b. Failure by Loomis to comply with the agreed schedule for collection and delivery results in surcharges being made.	L	Agreed	Local Taxation Manager	Will discuss with Loomis	01/08/08

Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implementation date
4.6iii	<b>We recommend</b> that the LTM determines if the total monthly charge still includes cheque insurance as Loomis do not collect SBC Cheques. If it does, it should be stopped immediately and discussion held with Loomis to recover all extra insurance charges previously overpaid.	M	Agreed	Local Taxation Manager	None	01/08/08
4.6iv	<b>We recommend</b> that the additional monthly insurance supplement paid to Loomis should be reviewed and brought to the attention of the SBC Insurance section. If, the additional insurance is considered to be unnecessary, the additional monthly insurance supplement should be stopped immediately and discussion held with Loomis to recover all extra insurance charges previously overpaid.	M	Agreed	Local Taxation Manager	None	01/08/08
4.6v	<b>We recommend</b> that the current service provided by Loomis should be reviewed and compared to other service providers by obtaining 2 other quotes.	L	Agreed	Local Taxation Manager	May only be one other.	01/08/08

Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implementation date
4.6vi	<b>We recommend</b> that pending the recommend contract review, the reason for coins being delivered on the 2nd working day after collection should be determined from Loomis and if practical, then next day banking should be required the same as cash notes.	M	Agreed	Local Taxation Manager	None	01/08/08
4.9	<b>We recommend that</b> the Local Taxation Manager ensures all relevant staff are made aware of the maximum limits for cash holdings in whatever receptacle in relation to the insurance limits.	L	Agreed	Local Taxation Manager	None	01/08/08
<b>CURRENT RECOMMENDATIONS</b>						
4.2.2	<b>It is recommended that</b> the two officers within Environmental Health check and sign the postal income remittance form before passing to Cashiers for processing. The Environmental Health Section's postal income remittance template should be updated to allow an extra officer to sign.	M	Agreed	Head of Environment Health and Licensing	Template forms to be amended to allow for 2 signatures. Two signatures to be required from 28th May 2008.	28/05/08

Para	Recommendation	Significance L Low M Med H High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implementation date
4.3.2	<b>It is recommended that</b> the combination code to gain entry to the Cashiers Office and the Security Team Office area be subject to periodic change and also when there is a significant turnover in staff.	M	Agreed	Local Taxation Manager	Agreed 6 monthly and on change of staff	1/6/08
4.4.2	<b>It is recommended that</b> the level of insurance cover for the loss of money from safes in established and is communicated to all appropriate staff.	L	Agreed	Local Taxation Manager	Agreed	1/6/08



**ASSURANCE, PRIORITY AND RISK DEFINITIONS****Assurance Levels**

<b>Assurance Level</b>	<b>General Definitions</b>
Full	<p><b>Evaluation opinion:</b> there is sound system of control designed to achieve the system objectives; and</p> <p><b>Testing opinion:</b> the controls are being consistently applied.</p> <p>Full Assurance will be attributed to a system where no recommendations are made or where in the auditor's judgement the recommendations relate to actions that are considered desirable and which should result in enhanced control or better value for money.</p>
Substantial	<p><b>Evaluation opinion:</b> basically a sound system but there are weaknesses which put some of the control objectives at risk, and/or;</p> <p><b>Testing opinion:</b> there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> <p>Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.</p>
Limited	<p><b>Evaluation opinion:</b> weakness in the system of controls are such as to put the system objectives at risk, and/or;</p> <p><b>Testing opinion:</b> the level of non-compliance puts the system objectives at risk.</p> <p>Limited Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered imperative to ensure that the Council is not exposed to high risks.</p>
No	<p><b>Evaluation opinion:</b> control is generally weak leaving the system open to significant error or abuse, and/or;</p> <p><b>Testing opinion:</b> significant non-compliance with basic controls leaves the system open to error or abuse.</p> <p>No Assurance will be attributed to a system where in the auditor's judgement they can place no reliance of the controls and procedures in operation either because they do not exist or because they are weak leaving the system open to abuse or error.</p>