



Westward House Cash Handling 2019/2020

FINAL REPORT

Ann Kirk

13<sup>th</sup> June 2019

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## **1) Executive Summary**

### **i) Introduction**

This audit was carried out as part of the agreed audit plan for 2019/20 financial year. Audit testing has been restricted to areas that have been assessed as high risk by Internal Audit.

Westward House banked £35,415 in 2018/19. The main income stream is Service Charges/Rental for the properties at Westward House but monies are also taken for Washing Machine Tokens, Electricity Cards and Key Deposits.

Audit testing has been carried out on the following objectives to ensure that:

- **Objective 1 – The float reconciles to the authorised amount recorded on Civica**
- **Objective 2 – Cash received is processed on a timely basis**
- **Objective 3 – Monies received are held securely and collected and banked on a regular basis**
- **Objective 4 – Washing Machine Tokens and Electricity Cards are stored safely and reconciled regularly**
- **Objective 5 – Reconciliations are undertaken for all monies collected and any under and over banking is recorded**

## ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	<b>No Assurance (Critical Risk Exceptions)</b>	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
➔	<b>Limited Assurance (High Risk Exceptions)</b>	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	<b>Reasonable Assurance (High or Medium Risk Exceptions)</b>	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	<b>Assurance (Low Risk/Improvement Exceptions)</b>	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

## iii) Summary of findings

The objective of the audit report is to solely highlight issues found during testing on the service area

**Objective 1: To ensure that the float reconciles to the authorised amount – Reasonable Assurance**

1 medium risk exception was raised as a result of testing carried out in this area (see Ex1 for more detail).

The float was counted on the 24<sup>th</sup> April before the office opened to tenants and was found to be £35.95, £10.95 more than expected.

**Objective 2: To ensure that cash received is processed on a timely basis - Limited Assurance**

3 medium level exceptions and 1 high level exception were raised as a result of testing carried out in this area.

Procedure notes were obtained and reviewed. New procedure notes were being completed at the time of the audit and testing found that the new processes needed to be communicated to all staff ensuring a consistent approach to the daily activities and customer service (see Ex2 for more detail).

A review of the working practices found that:

- Receipts are not provided to the customer at the point of payment of service/rental charges when the income management system is not available. Testing found, out of 70 transactions processed between 1<sup>st</sup> April and 26<sup>th</sup> April, 31 were not processed at the time the money was received. This could lead to misunderstandings over if and when payments are made (see Ex3 for more detail).
- Documentation for the amount of washer token and electricity card income received did not reconcile to the amount processed onto the services income management system, leading to confusion over the total amount of income received (see Ex4 for more detail).
- Records for key deposits taken are incomplete, there is no comprehensive list of who has and hasn't paid for their key deposit therefore the service have no assurance the monies in the safe are correct. (see Ex5 for more detail).

**Objective 3: To ensure that cash received is held securely and banked on a regular basis - Reasonable Assurance**

1 low and 1 medium risk exceptions were raised as part of testing on this area.

Testing found that:

- On completion of the banking there is no additional officer checking that the amount completed on the banking records is correct and matches that receipted. Without this, income could be misappropriated (see Ex6 for more detail).
- Who has access to the safe has not been documented and there is no record of when the key code was last changed for insurance purposes (see Ex7 for more detail).

**Objective 4: To ensure that washing machine tokens and electricity cards are stored safely and reconciled regularly - Limited Assurance**

1 high risk and 1 medium risk exception was raised as a result of testing in this area.

It was found that no record is maintained on the number of electricity cards written off by the service. Therefore inappropriate use may not be identified which could have a financial impact to the council (see Ex8 and Ex9 for more detail).

**Objective 5: To ensure that reconciliations are undertaken for all monies collected and any under and over banking is recorded - Limited Assurance**

1 high risk exception was raised as a result of testing in this area.

Daily checks between cash received and processed are not undertaken therefore discrepancies cannot be investigated in a timely manner. In addition any discrepancies between the banking are not checked for accuracy before being processed (see Ex10 for more detail).

Cash collections made every 4 weeks are reconciled between the Income Management System and cash held, any under and over banking are documented and recorded onto the Council's Financial System. Westward House underbanked £39.94 in financial year 2018/19.

**Overall assurance level – Limited Assurance**

From the testing carried out Internal Audit found that there are inadequate controls in place to prevent fraud/ theft from occurring and record keeping is not effective enough to protect the staff against accusations of theft.

Three high risk exceptions and seven medium risk exceptions have been raised as a result of this review. Therefore Internal Audit can give limited assurance that the area is of low risk to the Authority.

## Key for risk rating of exceptions:

Priority Level	Description
<b>Critical Risk</b>	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none"><li>▪ The efficient and effective use of resources</li><li>▪ The safeguarding of assets</li><li>▪ The preparation of reliable financial and operational information</li><li>▪ Compliance with laws and regulations</li></ul> <p>And corrective action needs to be taken immediately.</p>
<b>High Risk</b>	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not “show stopping” but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
<b>Medium Risk</b>	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
<b>Low Risk – Improvement</b>	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>

<b>EX 1 Floats are not checked on a regular basis.</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
<p>The float was counted to ensure that it balanced to the amount authorised by the Council (£25). The float was found to be £10.95 more than expected, any coinage received is kept with the float and is counted and placed in the safe on an ad hoc basis. A review of the procedures found that the frequency the float is to be checked is not currently stated.</p> <p>The Insurance Officer confirmed that the cash tin the float is stored in is insured up to the value of £500 but has an excess of £250 to be paid in the event of the tin being taken, therefore it would be unlikely that the monies kept in the tins would be recovered through insurance.</p>	
<b>Risks and consequences</b>	
<p>Unchecked cash floats can be susceptible to error and put employees at risk of suspicion if discrepancies cannot be explained.</p> <p>Procedures dictate that anything that has not been processed is kept with the float and therefore there is a risk that the monies could be processed twice.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
The float is checked daily as part of the daily reconciliation process	Mark Hughes – 13 <sup>th</sup> June 2019



<b>EX 2 - Service charge/ Rental fee entries not entered onto the income management system at the time of the transaction</b>	
<b>Risk rating: High</b>	
<b>Findings</b>	
<p>Cash collection procedure notes were obtained which Internal Audit were informed needed updating in light of a review undertaken by the Lead Cashier.</p> <p>The Accommodation Services Manager confirmed that service charge/rental income is to be processed at the time of receipt unless the system is unavailable. Discussions with staff confirmed that they are not all following this process.</p> <p>Testing found that over the period 1<sup>st</sup> April to 26<sup>th</sup> April 2019 70 transactions were processed and of those 70:-</p> <ul style="list-style-type: none"> <li>• 31 transactions with a value of £768 (44%) were for service charge/rental income processed outside of opening hours and therefore not at the time of receipt</li> <li>• 7 (10%) were for electricity cards and washer tokens</li> </ul> <p>The Lead Cashier confirmed that the income management system was available for the periods the income management system was not used. The Accommodation Services Manager confirmed that delays may be due to monthly banking, or dealing with tenant's issues which could delay the processing.</p>	
<b>Risks and consequences</b>	
<p>Without comprehensive procedure notes the service may provide an inconsistent approach to the daily activities and customer service.</p> <p>If income is not processed at the time of collection this may lead to lost income, misunderstandings over whether payments have been made and monies being allocated to the wrong rent account.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
Service Charge/Rents are processed onto Pay.Net at the time of collection and procedure notes are updated.	Mark Hughes – 13 <sup>th</sup> June 2019

<b>EX3 – Receipting tenant service charges/rental payments</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
<p>Receipts can be produced automatically from Pay.Net when the monies are processed onto the system. The receipts are in an email format.</p> <p>If Pay.Net is not available the money is placed in an envelope and processed later. On processing the money the envelopes are destroyed, leaving no record of the exact time and date when the service charge/rental was paid. Testing found no unprocessed cash in the safe.</p>	
<b>Risks and consequences</b>	
<p>If documentation is not kept of exactly when and how much money has been paid by the tenant to the service then any future queries would be difficult to resolve efficiently. This could result in complaints and have an impact on the Authority's reputation.</p> <p>In addition they would be vulnerable to accusations that cannot be proved or disproved with regards misappropriation of cash or accusations of theft.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
Written receipt books are used if Pay.Net is not available and if receipts cannot be emailed they are printed and posted through the tenant's door.	Mark Hughes – 13 <sup>th</sup> June 2019

<b>EX4 – Reconciliation of banking to the audit form</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
<p>All monies for Laundry and Electricity should be processed onto the Westward House Electric and Laundry Audit Form and monies processed onto the service's income management system on the same day. Daily reconciliations are not undertaken.</p> <p>Testing of all daily audit forms from 29th March to 23rd April 2019 found a difference of £34.00 between what was processed onto the Income Management System and that compiled onto the audit sheets.</p> <p>Audit Form - £505.00  Pay.Net - £539.00  £34.00</p> <p>Testing on the timeliness of processing takings received over these days, 29<sup>th</sup> March to 23<sup>rd</sup> April 2019 found that:</p> <ul style="list-style-type: none"> <li>• For 5 cases the income wasn't processed until the next day</li> <li>• For 1 case income was not processed until 6 days later.</li> </ul>	
<b>Risks and consequences</b>	
<p>If the Audit Form and the monies do not match and are not regularly checked the service would be unable to prove with certainty monies collected are correct.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
All cash received is reconciled daily.	Mark Hughes – 13 <sup>th</sup> June 2019

**EX 5 – Key deposit register is kept up to date****Risk rating: Medium****Findings**

Key deposits of £10 are taken when someone is provided accommodation at Westward House. A receipt is provided when received and the £10 note is stapled to the office copy of the receipt and placed in a wallet within the safe. If the client leaves the accommodation with rent arrears then the key deposit can be used to offset some of the debt. In some circumstances key deposits are not taken from tenants, such as when they are suffering hardship.

From the record maintained for 51 flats at Westward House

- 21 flats reconciled to the monies placed in the safe
- 9 flats were vacant
- 8 flats had not paid the deposit
- 3 flats did not have information recorded against them as to whether payment had been made or not but no money in the safe
- 2 flats did not have information recorded against them whether payment had been made or not and monies were found in the safe
- 4 flats were recorded as not having paid a deposit but there was a receipt and deposit in the safe
- 4 flats had a different name recorded to the person who had paid the deposit

**Risks and consequences**

If the key deposit register is not kept up to date or reconciled to the safe holdings then there is no way to check whether any deposits have gone missing. A register would also help to identify cases where key deposits have been waived and who authorised this.

There is also an increased risk of loss of monies if the deposits are held in the safe and not banked.

Agreed action	Officer responsible and by when
Key deposits will no longer be taken, the tenant will be charged at the time their key needs replacing.	Mark Hughes – 30 <sup>th</sup> June 2019

<b>EX 6 – Checking of banking records to takings</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
Discussions were undertaken with the Accommodation Services Manager. Banking is undertaken by either the Tenancy Sustainment Officer or the Accommodation Services Manager. It is undertaken by just one individual and not checked by anyone else. Once completed it is put back in the safe.	
<b>Risks and consequences</b>	
If the amounts were to be different between the cash and receipting there could be accusations of misappropriation of funds against G4S or CDC.	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
Where possible two people will check the banking.	Mark Hughes – 13 <sup>th</sup> June 2019

<b>EX 7 – Money is held securely and is insured</b>	
<b>Risk rating: High</b>	
<b>Findings</b>	
<p>The safe is accessible via a key which is stored in a key safe with an electronic access code. Internal Audit was advised that these are changed when any employees leave or there is a need. There is no record maintained of those with access to the safe and when the key code was last changed.</p> <p>The float tins are kept in the safes overnight along with any cash that they have received in the day.</p>	
<b>Risks and consequences</b>	
<p>If the service does not hold information on who has access to the safe and when the access key was last changed employees who have left may still be able to access the safe which could have implications on an insurance claim if one was ever to be made.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
Record of when the key safe was last changed is kept.	Mark Hughes – 30 <sup>th</sup> June 2019

<b>EX 8 – Records maintained for Electricity Cards</b>	
<b>Risk rating: High</b>	
<b>Findings</b>	
<p>Accommodation at Westward House requires the tenant to purchase cards for electricity, for which the money received goes towards paying the electricity charge for Westward House. Discussions with the Accommodation Service Manager found that the service buy the cards from a company in denominations of £10, £5 and £1. The last amount bought was for the value of £2,000. They are bought in batches when stock is low but the service does not maintain a record of stock levels. In some cases the service will provide electricity for free where the tenant is suffering hardship. There is no record of this or how much has been given. The only record is those that have been sold are recorded on the audit form.</p>	
<b>Risks and consequences</b>	
<p>By not maintaining a record of electricity cards purchased, and written off the service is unable to confirm the movement of stock and from where, which could result in a financial loss to the council.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
A record of stock movement is maintained and a full stock take is performed quarterly.	Mark Hughes – 31 <sup>st</sup> July 2019



<b>EX 9 – Records maintained for Washer Tokens</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
<p>Washing machines are made available for tenants to use at a cost of £2 per token. In 2018/19 just under £1,300 was received in income for this service. The Accommodation Services Manager advised that the amount of washing machine tokens have declined as more tenants are bringing their own washing machines. This again is recorded on the audit form but no stock take is undertaken.</p>	
<b>Risks and consequences</b>	
<p>By not maintaining a stocktake the service is unable to confirm the movement of stock, which could result in a financial loss to the council.</p>	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
A stocktake is performed quarterly	Mark Hughes – 31 <sup>st</sup> July 2019

<b>EX 10 – Daily income is reconciled</b>	
<b>Risk rating: Medium</b>	
<b>Findings</b>	
A check on the licence/rental cash stored in the safe against the income management system found that there was a discrepancy of £12. A discrepancy in the cash float of £10.95 meant that in total the service has a current under banking of £1.05. The service does not undertake daily cash reconciliations to identify discrepancies on a regular basis.	
<b>Risks and consequences</b>	
If the service do not undertake regular checking between monies received and processed any discrepancies cannot be identified and rectified appropriately.	
<b>Agreed action</b>	<b>Officer responsible and by when</b>
Daily reconciliations on all cash received are to be undertaken	Mark Hughes – 13 <sup>th</sup> June 2019