

AUDIT COMMITTEE

26 MAY 2011

REPORT OF HEAD OF BENEFITS & REVENUES

A.1 CASHIER SERVICE AUDIT

Report prepared by Jill Coleshaw & Kevin Giles

PART 1 – KEY INFORMATION

1.PURPOSE OF THE REPORT

To update the Audit Committee on the issues contained in the Audit report originally presented to the Committee on 24 March 2011.

2.EXECUTIVE SUMMARY

On 24 March 2011 the Audit Committee was presented with a report detailing the Internal Audit function for the period November 2010 to January 2011.

An audit of the Cash Office service found that overall the areas checked were satisfactory but some items required further attention. These are set out below.

(A) Two items previously identified had not been implemented.

1. Monthly monitoring reports of transfers and reversals are to be sample checked and records of the checks made are to be retained for audit.
2. Ensure that an effective process of checking daily export files is implemented and undertaken by System Support.

(B) Two new actions classed as medium risk were raised:

1. Ensure that any instances of shared PC use are recorded and certified by an appropriate member of staff.
2. Periodic checks of officers with swipe card access are to be made to ensure that only current and appropriate members of staff have access to the Cash Offices.

The audit committee resolved that:

“Reports be submitted to a future meeting of the Committee in respect of:-

The issues identified in respect of the Cashiers audit and, in particular, why the actions identified from a previous audit remained outstanding.”

This report confirms that action has been taken to remedy all of the above areas of concern and a full update is given below.

3.RECOMMENDATION

That the Audit Committee note the actions in place to rectify the issues raised by internal audit.

PART 2 – IMPLICATIONS OF THE DECISION

4.DELIVERING PRIORITIES

The nature of the functions performed by Cashiers relating to the processing of funds received is fundamental to the operation of the Council and the services it delivers. These funds include transactions from customers together with funds received from other agencies, eg Central or other Local Government.

5.FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

During 2010/11 the Cashiers processed around 270,000 payments (valued at over £275,000,000) on the Council's behalf. This demonstrates the scale of the transactions involved.

Risk

The funds received are fundamental to the running of the Council which has a responsibility to properly account for these public funds within and between each of the computer systems used. It is paramount that robust procedures are in place to mitigate, as practicable, any risks associated with the processing of such transactions and the working environment within which these activities are carried out.

Audits of the processes used are carried out by Internal Audit, including the use of specialist external audit personnel, where appropriate. Any recommendations are subsequently reviewed with Internal Audit and implemented as agreed.

There is a reputational risk to the Council if public funds are not accounted for in a correct and proper manner.

6.LEGAL

The processing of funds by the Council is covered by the Council's Constitution in conjunction with considerable legislation.

7.OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities /Area or Ward affected / Consultation/Public Engagement.

All wards are affected by the correct processing of all funds received by the Council across the range of sources of such funds and their use by the Council on behalf of its residents.

PART 3 – SUPPORTING INFORMATION

8. DETAILS of ISSUES & CURRENT POSITION

The audits, which are the subject of this report, were Cashiers (2009/10) and Cashiers (2010/11) and took place in June 2010 and January 2011 respectively. The two issues detailed in 2(A) above were found in January 2011 to be outstanding from June 2010, whilst the two items detailed in 2(B) above were first raised during the audit carried out in January 2011.

(A) Two items previously identified had not been implemented.

A1: Monthly monitoring reports of transfers and reversals are to be sample checked and records of the checks made are to be retained for audit.

Background

This item relates to those transactions in the Capita Cash Receipting system where it has been necessary to reverse such items due to, for example, an incorrect classification of the method of payment as a cheque instead of cash. Transfers are used to move funds for accounting purposes, for example, where there is a need to receipt a payment and place the funds to a suspense account pending clarification of the correct payment reference a transfer will be used to make the subsequent adjustment.

Audit Findings

It was noted that although transaction reversals are spot checked by senior cashiers, no such control existed for income transfers.

The following action was agreed:-

Regular system reports of both reversals and transfers should be run and used to identify cases for spot checking. These reports should be retained on file for audit purposes.

It was not recognised that audit required monthly checks and a system was set up to undertake spot checks. The new procedure was subsequently overlooked due to pressures caused by staff reorganisation following retirement during June 2010 and long-term staff sickness at senior cashier level.

Current Position

The appropriate arrangements to run the reports and make the checks for both transfers and reversals have now been put in place and retrospective checks carried out from April 2010 to date for all Collection Offices. No errors have been found.

A.2: Ensure that an effective process of checking daily export files is implemented and undertaken by System Support.

Background

This item refers to the transfer of electronic data files between the Capita Cash Receipting and Reporting system into other financial systems used by TDC, eg Council Tax, NNDR Business Rates, Benefits Overpayments, Housing Rents, Car Parking and General Ledger.

Audit Findings

The daily export files which are used to transfer income from the cash receipting system to other Council systems (Council Tax, NNDR, Housing Rents etc) can be, and occasionally are, amended or altered before being run into the receiving systems. This is often necessary in order to put the file into a condition where it will be accepted for processing by the receiving system. These amendments do not, however, create an audit trail (ie. There is no record of the operator, date or time of entry).

The system reports are produced in a read/ write format and this process cannot be changed. Data Manager (a file transfer system supplied by Liberata) keeps a copy of all versions of the files for 30 days. The report storage parameter was increased to 180 days during the audit.

The following action was agreed:-

In order to introduce an element of segregation of duties, Systems Support will carry out occasional checks on the files retained by the Data Manager system.

During the implementation of the original audit recommendation, it was identified that the process could be made more robust. This would help to ensure the process covered sample checking of transactions from the source computer system to the destination computer systems, rather than only part of the process.

In response to a Senior Management request re the above audit requirement, the System Support manager confirmed that the audit request had been set up. However, he did not think to report that he was investigating a more robust reconciliation which he intended to carry out instead. Unfortunately, the more robust reconciliation was fraught with set backs.

The fact that neither process was actually implemented was identified during the subsequent audit in January 2011. At this point a revised date of 31 March 2011 for implementation was agreed as audit could see the merit of the proposal. The revised date also took into account the other operational priorities being undertaken during this time. These activities, combined with staff shortages due to sickness and maternity leave, resulted in the revised process being implemented during April.

Current position

The appropriate arrangements to make the full reconciliation checks have now been put in place and retrospective checks for the period June 2010 to date have been completed for transactions being received into all systems, except car parking. Here a third party is involved and the historical situation is still under investigation. No errors were found to date.

(B) Two new actions classed as medium risk

B1: Ensure that any instances of shared PC use are recorded and certified by an appropriate member of staff.

The agreed action was made at the time of the Cashiers (2010/11) audit in January 2011. This has been carried out on all such occasions since 10 January 2011 and the Shared PC User Record certified accordingly.

B2: Periodic checks of officers with swipe card access are to be made to ensure that only current and appropriate members of staff have access to the Cash Offices.

It was agreed by Internal Audit that Facilities Management should be checking in all cases to ensure that those staff who have left TDC have been removed from the swipe card access system. Internal Audit agreed to ensure that this was raised with Facilities Management. However, it was considered more pragmatic for a periodic check to be carried out by the Customer Services Manager in Cashiers in relation to those staff who have access to the Cash Offices. It was subsequently agreed that this would be done twice a year plus a week after a member of staff, who had access to the Cash Offices, had left.

The agreed action has been set up for June and December of each year for the twice yearly check. The Service checklist for staff leaving the authority has been amended to check that access to the Cash Offices is removed. Since audit raised the issue only one member of staff with Cash Office access has left the authority and the required security check was undertaken together with a full review of all other users. Records are held accordingly.

9.BACKGROUND PAPERS FOR THE DECISION

Internal Audit Reports

Cashiers Detailed Internal Audit Report June 2010

Cashiers Detailed Internal Audit Report January 2011

Internal Audit Reports Summary Issued November 2010 - January 2011 (Appendix B)