



Cashiers and Income Management

City of York Council

Internal Audit Report 2015/16

Business Unit: Customer & Business Support Services,
Responsible Officer: Director of Customer Business and Support Services
Service Manager: Head of Financial Procedures
Date Issued: 22 April 2016
Status: Final
Reference: 10330/007

| | P1 | P2 | P3 |
|------------------------------|----------------|----------|----------|
| Actions | 0 | 0 | 0 |
| Overall Audit Opinion | High Assurance | | |

Summary and Overall Conclusions

Introduction

The cashiers and income management department acts as a gateway for various accounts being entered onto the council's general ledger. Therefore it is a fundamental financial system: its mismanagement poses a significant risk, and therefore it is audited every year.

Due to the reduction in the use of physical cash and the increase in electronic payments, the cashiers and the income management area has been in a state of transition over the last few years. Recently, audits have been focused on cash handling areas at satellite institutions, which has generally received high assurance levels. Therefore, this audit focused primarily on the transactional services system based at West Offices.

Objectives and Scope of the Audit

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

- All income is accurately processed, banked and accounted for including Internet and electronic payments.
- Appropriate records are maintained to support all transactions

The audit did not include review of the cash handling elements that have been covered in previous audits. It also did not cover the petty cash procedures within West Offices, this will be covered in a separate review in the 2016/17 audit plan.

Key Findings

There are no issues concerning the processing and banking of payments: all days sampled reconcile correctly, with sufficient supporting documents showing the correct action was taken.

Record storage was generally of a good standard with most days tested being sufficiently supported. However, there were some instances of records not being available as the scan quality was too poor. One suspense report was not available on the system however it was confirmed that IT could reproduce this file from the ICON server bank file if required. These documents collectively contribute to full assurance of transactions and therefore effort should be made to ensure these are legible and available at the point of scanning/archiving.

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.

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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