



FINANCE

FROM: Audit & Risk Manager

SUBJECT: Review of Corporate
Cash Collection &
Banking Procedures

TO: Service Area Managers

DATE: 22 November 2012

1 Introduction

- 1.1 Following an internal audit report on a particular area of activity, Finance & Audit Scrutiny Committee was concerned that members of staff in various services may be collecting or taking cash to the bank rather than using a security company.
- 1.2 Internal Audit was, therefore, asked to carry out a council-wide review of income collection and banking procedures.
- 1.3 The scope was subsequently expanded to look into other cash control issues that have been raised recently to ensure that similar incidents could not occur at other sites.
- 1.4 The findings of the report, including the overarching recommendation that the transporting of cash by staff should cease, have been circulated to Service Area Managers and relevant staff within the organisation in order for them to comment and provide responses as appropriate.

2 Findings

2.1 Cash Handling Procedures

- 2.1.1 The Document Management Centre (DMC) Team Leader provided a copy of the cash handling procedures that are in place (Appendix A). These were approved by the Head of Finance and were issued in August 2007.
- 2.1.2 The document includes (but is not limited to) procedures on Outside Collections & Collection Points; Cash Security; Paying In Cash (Banking of Takings); and Staff Safety. However, these are general processes to follow rather than specific, detailed instructions.

2.2 Cash Collection and Banking

- 2.2.1 In the majority of cases it was noted that cash is either brought into Riverside House directly by the paying 'customer' with the monies being received by Reception / Frontline staff and being passed to DMC to be collected and banked by G4S, or it is received at external sites that also have regular collections and deliveries of change by G4S. The Royal Spa Centre change collection, which was the initial cause of this review, now falls into this category.

- 2.2.2 There are also a few instances where we employ contractors to deal with the collection and banking of money on our behalf (car parking and some outdoor sports venues).
- 2.2.3 However, a number of instances were identified where this is not currently the case.

One Stop Shops

- 2.2.4 Staff at One Stop Shops (OSS), who are a mixture of WDC and WCC staff, take cash to the local banks or post offices for banking. Whilst monies are received at all of the One Stop Shops, larger amounts are dealt with at Warwick and Kenilworth. Bankings are performed on a weekly basis from each site, with typical values in the region of £100 at Warwick and Kenilworth for WDC related cash which is mainly received in relation to travel tokens and 'special collections'.
- 2.2.5 The exception to this is in May / June each year when monies are received for the Kenilworth Show. Spreadsheets provided highlighted that almost £1100 was received over the course of 3 days with a further £400 being received in the week preceding this. This money was banked in three separate visits, with one banking being in the region of £900.
- 2.2.6 The OSS Team Leader also advised that library monies banked on behalf of WCC from Kenilworth are in the region of £450 each week.
- 2.2.7 She also advised that there is also the occasional collection of small amounts of change from the bank, although this would just be the occasional £20 bag of £1 coins.
- 2.2.8 The DMC Team Leader suggested that ad-hoc cash collections for the OSSs could be arranged, which are allowed for in the contract with G4S. However, the Customer Service Manager (Face to Face) at WCC advised that, following discussions with the Health & Safety representative at WCC, the banking of monies by staff from each site would continue. One specific reason given for not having the collections was that the sight of G4S performing collections would highlight that money was being dealt with on the premises and could, therefore, pose a risk.
- 2.2.9 Amendments were, however, proposed to reduce the risk in some circumstances, including the use of the post office at Shire Hall for the banking of Warwick monies so that the staff do not have to leave the building, and the varying of the timing of bankings at Kenilworth so that no set patterns could be observed, with more frequent bankings being performed around the time of the Kenilworth Show.
- 2.2.10 It was subsequently highlighted by the Head of Corporate & Community Services that staff had advised her that the OSSs may be taking payments for other shows. With that in mind, a review would be undertaken regarding the decision not to involve G4S for the banking of cash taken by the OSSs.

John Atkinson Community Sports Centre

- 2.2.11 Internal Audit were advised that attempts had been made in the past to get monies collected by G4S but it had previously been understood that G4S could not collect during the hours that WDC runs the dual use facility.
- 2.2.12 The Centre Manager from St Nicholas' Park Leisure Centre (SNPLC) had therefore been collecting the money from JACSC and transferring it to SNPLC for banking.
- 2.2.13 This was being undertaken on a weekly basis, with average amounts being c£500, although occasionally amounts of up to £1,000 had been collected, with the majority of this being cash, as cheques are not used as much and the site does not accept card payments.
- 2.2.14 The Centre Manager also advised that, if he had been on leave, the monies were being left until he returned and he would have had to collect multiple week's income in one go.
- 2.2.15 Whilst G4S collections had not been arranged at JACSC, they had been undertaken successfully at the other dual use site operated, Meadows CSC at Kenilworth School, where collections are undertaken on a weekly basis during weekdays as a member of staff there also works for the school and so is available on site.
- 2.2.16 Subsequent discussions have been undertaken and it is now possible for weekend collections to be undertaken by G4S. Collections from JACSC are, therefore, to be arranged.

Environmental Health – Stray Dog Fines and Pest Control Treatments

- 2.2.17 Cash is received directly by officers whilst dealing with members of the public outside of Riverside House. This is then transferred by the individual staff members to the Business Support Officer who will take the cash to DMC for processing and banking.
- 2.2.18 The Business Support Officer advised that amounts can vary from £20 to £66 per transaction, with frequencies being up to two or three transactions per week.
- 2.2.19 Following discussion, the Head of Environmental Services did not think that there were any practical alternatives to the current situation, as cash collections would not be possible and the raising of invoices had been stopped, at the instigation of Finance, due to the associated costs. Based on these factors, Internal Audit agrees with the Head of Environmental Services.

Crematorium

- 2.2.20 The Bereavement Services Manager advised that the receipt of cash is increasing in frequency due to some funeral directors now having to pay in advance because of previous issues with their accounts. Fees in these instances are over £500.

- 2.2.21 If small amounts of cash are received (under £100), the money will be brought over by a member of staff when they next have business at Riverside House or are due to be driving past. However, with the larger amounts, they are brought over straight away if they are received early in the day, or will be brought over the next morning if the money is received in the afternoon, as DMC only operate their cash till in the morning.
- 2.2.22 Initially, the Head of Environmental Services suggested that there could be scope for the use of a security company. However, the Bereavement Services Manager queried whether the costs would outweigh the risks and this needed further review along with other alternatives, such as the use of PDQ machines. Following this review, the Head of Environmental Services advised that he felt that there was no practical solution to the current processes.
- 2.2.23 **Internal Audit believes that an unacceptable level of risk remains that can be reduced by the use of ad-hoc collections and wish to bring this to the attention of Service Area Managers. It should also be noted that the costs of the collections could be offset against the fact that some journeys to bring monies across to the DMC are over and above those carried out as part of normal duties.**

Supported Housing Schemes

- 2.2.24 Cash is occasionally received in respect of the use of guest rooms at the supported housing schemes. This is brought by staff into Riverside House for banking via DMC. However, this is infrequent and is generally below the £100 mark.
- 2.2.25 Cash is also banked directly by staff from these schemes for monies raised in respect of charities. This is also infrequent and banking is generally under £100.
- 2.2.26 Internal Audit were advised that the use of cheques is encouraged, but this is not always possible.
- 2.2.27 Following discussion, the Supporting People Services Manager did not think that there were any practical alternatives to the current situation. Internal Audit agree with this assessment.

2.3 Change Deliveries at Newbold Comyn Leisure Centre

- 2.3.1 During the course of this review, Internal Audit were asked to provide input into a meeting to discuss issues that had arisen with regards to the ordering and delivery of change to leisure centres.
- 2.3.2 The processes in place had been changed to reduce the number of journeys that G4S were making which would provide the council with a budget saving.
- 2.3.3 However, some issues had become apparent when the amendments were implemented.

- The exact process to be followed by staff at the leisure centres had not

been adequately communicated.

- A number of staff who had previously placed orders could no longer do so due to the requirement for orders to be emailed to G4S rather than faxed through.
- The spreadsheet order forms that G4S required could not initially be sent by our IT system.
- Finance staff had not been advised of the change in procedure and so were unaware of the additional bankings, believing them to be normal takings from the centres. This led to the incorrect recording of VAT.

2.3.4 As a result of these issues, significant officer time had been expended which had probably resulted in the potential savings being negated. Changes were agreed during the meetings held to ensure that the process can run smoothly in future and procedures notes are to be drawn up and disseminated to all relevant staff at the leisure centres. However, the changes required will lead to costs being incurred to enable the use of separate paying in books for the change related bankings.

2.3.5 These issues had highlighted the need to ensure that all relevant staff are considered and are consulted when changes to services and processes are planned to ensure that potential savings will actually be realised.

2.4 Cash Security

2.4.1 As highlighted above, the initial scope of the review was expanded to look into cash security issues that had been encountered during a recent fraud investigation to ascertain if the same type of fraud could be perpetrated at another site where cash is being taken.

2.4.2 Specifically, three controls that had been recommended or were implemented following the Internal Audit investigation into the fraud, were reviewed:

- Customers are advised to check their receipts to ensure that they accurately reflect what had been paid
- Staff belongings (e.g. handbags) are kept away from the tills at all times
- Reports are run from the tills / system to identify any zero value receipts being issued.

2.4.3 With the exception of the main leisure centres, which had implemented the control following receipt of the Internal Audit report, signs asking customers to check their receipts are not in use. For the majority of establishments operated by the Council, it is not thought that the implementation of this control would cause any issues.

2.4.4 However, one staff member working at Riverside House Reception queried whether it would be wise to advertise the fact that cash is taken at the front desk. Another staff member working at the Visitor Information Centre (VIC) at the Royal Pump Rooms advised that receipts are offered to customers but they are not routinely issued due to the cost of the till rolls. Following subsequent discussions, it was agreed that signs will be placed at all relevant

tills to advise customers to check their receipts and that receipts will now be issued at the VIC.

- 2.4.5 Internal Audit were advised that staff belongings were generally being held in lockers or in separate rooms away from the cash desks, and that the control had been implemented where the issue had originally arisen, so this was not thought to be an issue.
- 2.4.6 The monitoring of zero value ticket issuing varied for each different location. Internal Audit were advised that in some cases (Art Gallery & Museum), the tills were not sophisticated enough to allow for reports of this nature to be obtained.
- 2.4.7 A new computer system was also going to be implemented at the Spa Centre and Town Hall, although this is no longer going to be the case. The Head of Cultural Services advised that the new manager will be asked to consider the potential to download appropriate reports from Databox (the system that will remain in place), although she highlighted that there are no indications that the system is being misused to issue inappropriate tickets for fraudulent purposes.
- 2.4.8 Daily and weekly reports are produced by the Visitor Information Centre that would show any suspicious activity, although Internal Audit were advised that it would be hard to issue zero value receipts as it would require manipulation of the product value on the system.
- 2.4.9 Internal Audit were advised that the recommendation to regularly produce zero ticket reports from Flex at the leisure centres will not be carried out, as it was not thought to be useful due to the fact that there are a number of legitimate reasons for zero tickets to be issued. However, it was suggested that, once the new Area Manager is settled into his post (started week commencing 15 October 2012), the use of other performance reports will be investigated.
- 2.4.10 The Head of Cultural Services also highlighted that the dual use sites do not use Flex and have conventional tills. However, she suggested that there could be a value in doing some basic analysis of tickets sold, although the low value of cash transactions handled at the sites needed to be borne in mind before processes were put in place to record all sales.
- 2.4.11 The DMC and Reception had not produced such monitoring reports before so a report was run from PARIS when the question was raised. This highlighted that eight zero value receipts (and five reversals) had been issued by Reception during the current and previous financial years. Further interrogation of PARIS suggested that these were issued in error, as they were either issued at the same time as other receipts or were part of a series of payments and reversals to correct coding errors. As Reception use a generic log-in, it was not possible to identify which staff members had issued the receipts to ascertain if they could remember anything specific about the transactions processed.
- 2.4.12 The DMC Team Leader has agreed to produce these reports on a regular basis.

3 Summary & Conclusion

- 3.1 Whilst the majority of cash is collected and banked via a security company, there are still a number of staff members that are transporting cash around on their person to either perform banking, collect change or transfer it to another site to allow for collection and banking by the security company.
- 3.2 Whilst the amounts suggested are often small and may not, therefore, pose a significant risk to the individuals, there are some larger amounts being transferred and banked. Changes are in the process of being made in some instances but staff are still having to transport cash around from some sites as it is felt that there are no practical solutions to the issues raised.
- 3.3 Cash security controls recommended following an Internal Audit investigation into a fraud at a leisure centre had not been relayed to other establishments. However, following subsequent discussions, Internal Audit have been informed that these controls are to be adopted at other sites where they are considered relevant.

4 Recommendations

- 4.1 Whilst some actions have already been undertaken to address the findings (as detailed within this report), some actions cut across the council as a whole and these need to be highlighted.
- a) The cash handling procedures should be reviewed and re-publicised. Internal Audit will be happy to assist in the review process. (Section 2.1)
 - b) Staff should be reminded that changes to processes should only be undertaken once all relevant stakeholders have been consulted to ensure that there are no adverse consequences of the amendments. (Section 2.3)
 - c) Management should be mindful of the need to consider whether control changes recommended for one site should be relayed to other areas under their control. In future, Internal Audit will also consider these issues to ascertain whether best practice can be relayed to other departments / sections. (Section 2.4)
 - d) Following the review that is in progress for the banking of cash taken by the OSSs, the Head of Corporate & Community Services should advise the Head of Finance formally of the results of that review for him to endorse. (Paragraph 2.2.10)
 - e) Arrangements should be made by Environmental Services for a security company, rather than staff, to collect and bank cash received by the crematorium. (Paragraph 2.2.22)