

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Document Management Centre

TO: Head of Corporate & Community Services **DATE:** 30 September 2013

C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
DMC Team Leader

1. Introduction

- 1.1 In accordance with the Audit Plan for 2013/14, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Full audits of the Document Management Centre and the related functions are undertaken every three years, with interim audits being completed in the other years to review the procedures in place to deal with cash and cheque remittances received by the Document Management Centre (DMC) and Riverside House Reception. This audit was one of the full reviews. The last full audit was performed in November 2009, with the last cash audit being undertaken in September 2012.
- 1.3 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2. Background

- 2.1 Since the completion of the last full audit, the DMC has taken on the services that used to be provided by the Central Admin Team. As a result, the DMC provides word processing and audio typing services.
- 2.2 However, the main focus of the DMC still lies in the scanning of documents, the opening of post and the processing of monies received.
- 2.3 The Council offers a wide range of payment options e.g. Allpay, direct debit, telephone and the WDC website and customers are encouraged to use them. However, payments continue to be processed at Riverside House in the DMC or Reception, either because there are practical reasons why the options listed above are not suitable or because customers send in payments by post.

2.4 Figures below show the total number and value of transactions processed during 2012/13 and the current financial year to the end of August:

Period	Number of Transactions	Value of Transactions
1 April 2012 – 31 March 2013	18125	£6,444,455.71
1 April 2013 – 31 August 2013	7738	£3,260,920.87

2.5 Payments are receipted using the PARIS income management system.

3. Scope and Objectives of the Audit

3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Cash and banking
- Roles and responsibilities
- Policies and procedures
- Operational management
- Quality assurance
- Expenditure and recharges
- Service development.

3.3 The audit programme identified the expected controls. The control objectives examined were:

- All monies received are recorded and receipted appropriately
- Tills are cashed up on a daily basis
- Takings are reconciled to bankings
- Monies are held securely prior to collection for banking
- Management and staff have a clear stated purpose
- Staff have clear procedural documentation to follow for all relevant tasks
- Services are provided in a timely manner
- Council service areas are aware of the level of service to expect
- Services are completed to an appropriate quality level
- Management are aware of the financial situation in relation to the budgets over which they have control
- Expenditure is appropriately committed
- The costs of providing the services are appropriately recharged to the service areas
- The council makes best use of administrative staffing resources.

4. Findings

4.1 Cash & Banking

- 4.1.1 Post opening was observed during the course of the audit and it was noted that, whilst there were five staff present, there was no direct 'supervision' that would ensure all remittances received were recorded as each staff member present was opening post for different departments. However, the DMC Team Leader (DTL) is involved in the post opening and is able to generally observe what is going on and, as the vast majority of remittances received through the post are cheques payments, this is not considered to be an issue.
- 4.1.2 The use of an envelope opener was also observed. This machine opens envelopes on three sides to ensure that all contents of the envelopes will be identified and removed. Non-standard envelopes that were opened by hand were also being appropriately opened on three sides.
- 4.1.3 As highlighted above, all monies received are receipted on the PARIS income management system. However, Reception occasionally receives payments after they have cashed-up the till at the end of the day and, in these instances, they issue a manual receipt. These monies received are then receipted on PARIS the next morning.
- 4.1.4 Copy PARIS receipts used to be attached to the manual receipts. However, Internal Audit were informed that both copies of the PARIS receipts are now forwarded to the relevant department.
- 4.1.5 Sample testing was performed to ensure that monies recorded on the manual receipts were being receipted on PARIS. One of the ten receipts could not be directly matched to a PARIS receipt, as insufficient detail had been recorded on the manual receipt. Another amount was not directly matched, as it was paid in on three separate lines on PARIS.

Risk

Unable to resolve any queries raised regarding the manual receipts issued.

Recommendation

Staff on Reception should be reminded of the need to record sufficient levels of detail on manual receipts issued, including a form of cross referencing to the PARIS receipts subsequently produced.

- 4.1.6 In order to minimise the number of manual receipts used, the Reception till is meant to be cashed-up 15 minutes before the doors are closed, except on Tuesdays when the cash-up is undertaken slightly earlier to allow for reports to be produced. Upon review of a sample of the end of session reports (see below), a number of instances were identified where the cash-up had been performed earlier than suggested including one instance where the cash-up was performed over half an hour early. This issue has previously been reported by Internal Audit, although no formal recommendation had been raised as the monies are being receipted and are being held securely. However, in order to reduce the number of manual receipts being issued, staff should be reminded of the need to adhere to this internal policy.

Risk

More manual receipts are issued, with the associated risks (see above).

Recommendation

Staff on Reception should be reminded of the need to cash up at the agreed times.

- 4.1.7 The tills in DMC and Reception are cashed-up at the end of each 'session' with reports being generated and signed off to confirm the amounts taken. These reports are then retained. A review of a sample of reports held confirmed that they were generally being signed off as appropriate, with only two of the forty forms reviewed not being signed off.
- 4.1.8 Four discrepancies between the 'declared' and actual amounts were noted on the reports, although one of these related to an issue that was flagged during the last audit whereby a staff member will have pressed a button too early in the process before a figure has been entered and so cheques are declared as zero. Two others roughly balanced each other out (4p discrepancy) with the missing monies being found after the cash-up had been performed and being recorded on the following day. The other discrepancy may have been attributable to the wrong change being given, although no details were recorded on the report by way of explanation.

Risk

Lost income.

Recommendation

Staff should be reminded of the need to ensure that monies are accurately receipted, with monies being securely placed in the cash drawers.

- 4.1.9 Once the tills are cashed-up, the cash and cheques will be bagged separately and will be placed in the safe awaiting collection for banking by G4S (security firm). They collect monies for banking on a twice weekly basis.
- 4.1.10 Internal Audit were notified that the monies that have been cashed-up in Reception are taken down to the DMC the following morning, and are held in the Reception safe over night. The serial numbers of the sealed bags of cash and cheques that are to be handed over to the DMC are recorded on a daily record sheet and this is initialled by both Reception and DMC staff to confirm the handover. The DMC bags awaiting collection are also, subsequently, recorded on these sheets. Sample testing was generally satisfactory, with only one of the ten forms examined being unsigned by one party. The bags in the safe awaiting collection were also agreed to the latest record sheets.
- 4.1.11 When G4S come to collect the cash and cheques, they will scan each bag and provide a receipt showing the serial numbers of the bags collected. The numbers will then be ticked off the daily record sheets held. Sample testing confirmed that record sheets were in place for the sampled dates and that receipts from G4S showed that all of the bags had been collected for banking.
- 4.1.12 Testing was also undertaken to ensure that the monies taken agreed to the bank statements. This was generally satisfactory, although where the actual and declared amounts differed (as per 4.1.8 above), the declared amounts

were the amounts banked, except in the case where the declared amount was zero. One other minor discrepancy was also noted (42p).

- 4.1.13 The DMC is away from public view and has restricted access by means of card readers. Other members of staff, Royal Mail and G4S staff requiring access have to ring a bell and are only admitted if they are recognised by DMC staff.
- 4.1.14 The Reception area, which usually has two staff on duty, has no security measures in place other than a waist high counter. Staff are therefore vulnerable to an attack of any kind not just one that might be cash motivated. Whilst the cash drawer is under the counter and a separate room is used to perform the cash-ups, there is a large amount of cash being taken (roughly £150,000 in 2012/13 and almost £75,000 in the current year to the end of August, exclusive of cheques received).

Risk

Theft of cash and threat to staff.

Recommendation

Relevant departmental staff should be consulted to ask if they can promote alternative payment methods to their customers in order to reduce the amount of cash taken by Reception.

4.2 Roles & Responsibilities

- 4.2.1 A formal Team Operational Plan is in place which sets out the services that are to be delivered by the DMC, along with a number of service measures.
- 4.2.2 A service catalogue is also available on the intranet, setting out the services that the DMC can / does provide. However, this intranet page is out of date as it still refers to EDRMS scanning and makes no reference to the additional services taken on as a result of the Central Admin Team becoming part of the DMC.

Risk

Staff are not aware of the services that the DMC can provide.

Recommendation

The DMC service catalogue on the intranet should be updated.

- 4.2.3 Since the DMC was expanded to include the additional services, a new job description has been appropriately drawn up for DMC Assistants which covers these new roles in general terms.

4.3 Policies & Procedures

- 4.3.1 The DTL advised that there are procedure notes in place for a number of processes. She advised that these need to be reviewed but highlighted that this had been delayed due to a large job regarding the Local Plan consultation.
- 4.3.2 She further advised that all staff would have their own notes on how they performed certain tasks and these were to be pulled together. This task had formally been allocated to one of the DMC Assistants during her appraisal. An

extract was provided from the formal appraisal document and the staff member concerned confirmed that this had been discussed and she was aware that she had been allocated the task.

- 4.3.3 Electronic versions of the current procedures were viewed on the network. This review confirmed that there are a large number of procedure notes in place and also indicated that there were some that had not been updated for a number of years. However, as the task of updating them is in hand, no formal recommendation is thought to be warranted.

4.4 Operational Management

- 4.4.1 The DTL advised that a whiteboard is used to record the tasks that need to be completed over a two week period, with tasks being allocated to individual team members. She also highlighted that the time for completion is recorded on the measures board.
- 4.4.2 Some tasks are considered more urgent than others (e.g. scanning for TOTAL has to be done within a week and is, obviously, not as urgent as some same-day tasks), so tasks will be built around these known timeframes.
- 4.4.3 The whiteboard was observed during visits to the DMC and was found to be appropriately in use.
- 4.4.4 The DTL also advised that Service Level Agreements (SLAs) are in place with departments and that meetings used to be held regularly to discuss performance. However, attempts to schedule meetings recently have not met with much interest from service areas, although an SLA has been drafted for the new department that came into effect recently (Health & Community Protection).
- 4.4.5 The DTL advised that the agreements are generally centred around post opening and scanning, with same day services usually being in place. She considered that, as this standard is generally achieved; the services are not worried, which is why they are not interested in meeting to discuss progress and to review the SLAs in place.

4.5 Quality Assurance

- 4.5.1 The DTL advised that issues only tend to be highlighted if complaints are received.
- 4.5.2 She highlighted that, whilst some scanned documents could be checked; other systems did not allow for the scanned image to be previewed and went straight onto the system.
- 4.5.3 In terms of the timeliness of service provision, monitoring is undertaken by way of reviewing progress on the whiteboard located within the DMC (as highlighted above). This was observed at the time of the audit visits to the DMC.

4.6 Expenditure & Recharges

- 4.6.1 Budget monitoring for the DMC is undertaken by the Customer Contact Manager. She advised that she aims to run budget reports from TOTAL on a monthly basis, although she confirmed that they had not been run between June and September this year.
- 4.6.2 She will annotate the reports with queries and notes regarding specific budget lines and these will be discussed with the DTL during their one-to-one meetings and queries will also be raised with the relevant Assistant Accountant as necessary. The latest report produced was viewed which confirmed that notes had been recorded appropriately.
- 4.6.3 Significant budget variances as per TOTAL for the 2012/13 financial year and the current year to the time of the Internal Audit visit were queried with the DTL who was able to provide satisfactory explanations for the material variances that had occurred.
- 4.6.4 Responsibility for stationery stocks has recently been allocated to the DMC and one DMC Assistant has specific responsibility within the team. Departments can still place orders directly with Office Depot, but they will then email the DTL and the relevant DMC Assistant for the order to be authorised.
- 4.6.5 If the item is a one-off item, then the order will be placed. However, if it is a standard item, the stock will be checked to ascertain if there are sufficient items to meet the order. If so, the item will be removed from the order and will be provided from stock.
- 4.6.6 Orders are placed directly with the company, with a single, summary, TOTAL order being raised by the DMC Assistant to cover the orders placed. The costs of stock items will then be recharged per head to each department, with special / one off items being directly charged to the relevant section.
- 4.6.7 The DTL advised that recharges are calculated differently for the different services provided. Some jobs are recharged based on actual times taken, and logs of the jobs are maintained (e.g. PACE tapes and typing jobs), with other recharges being based on average times taken (e.g. post opening), although the DTL highlighted that the average times used for the 2012/13 general recharges were based on the previous year's figures.

Risk

Recharges are based on inaccurate figures.

Recommendation

Recharges should be based on figures relating to the correct period.

- 4.6.8 The recharges for postages for Q1 of 2013/14 and the general recharges for 2012/13 were checked between the spreadsheets maintained by the DTL and TOTAL, to check whether they had been correctly undertaken. This highlighted some minor amendments due to figures being transposed on one spreadsheet and the need for the total DMC budget to net to zero for the general recharges. However, in general terms, the recharges were found to have been performed appropriately.

4.7 Service Development

- 4.7.1 The DTL advised that service development used to come about during the SLA discussions held but, as these discussions are becoming less frequent, there was less scope for this now.
- 4.7.2 However, the DTL also advised that individual staff members approach her far more frequently to request work. These direct approaches work better for smaller, ad-hoc tasks, and help to build relationships with relevant departmental staff.
- 4.7.3 Some additional services are also flagged by team members if they identify potential development areas during meetings that they have attended. The DTL also suggested that she would sometimes suggest development opportunities if she thought that efficiencies could be achieved.
- 4.7.4 However, she also thought that some potential opportunities were being missed. She highlighted that the Central Admin Team used to advertise their time if they had any spare capacity. However, since the team had joined the DMC, this advertising had not continued and some of the admin jobs had been stopped (e.g. staff are being encouraged to type their own letters on the whole, rather than getting DMC staff to do this for them).
- 4.7.5 She also indicated that other departments seem to be gaining admin staff numbers (more technical admin posts or getting temporary staff in when capacity exists with the DMC) and thought that there could be a case for consolidating this into the DMC. The DTL suggested that this might be discussed with the Deputy Chief Executive.

5. Summary & Conclusion

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the management of the Document Management Centre are appropriate and are working effectively.
- 5.2 Minor issues were identified relating to the level of detail being recorded on manual receipts issued by Reception, the timing of some cash-ups performed, discrepancies in some till reconciliations, the amount of cash being received by Reception, the service catalogue on the intranet being out of date, and figures used for recharges being based on figures from previous periods.

6. Management Action

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Document Management Centre – September 2013

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.1.5	Staff on Reception should be reminded of the need to record sufficient levels of detail on manual receipts issued, including a form of cross referencing to the PARIS receipts subsequently produced.	Unable to resolve any queries raised regarding the manual receipts issued.	Low	Team Leader (Warwickshire Direct)	The old process of attaching a copy PARIS receipt to the manual receipt will be reinstated to show the link between the two records.	Immediate effect
4.1.6	Staff on Reception should be reminded of the need to cash up at the agreed times.	More manual receipts are issued, with the associated risks (see above).	Low	Team Leader (Warwickshire Direct)	Agreed. However, there is a possibility that the agreed times may be amended (brought forward). The reasoning behind these suggested changes will be provided separately.	Immediate effect
4.1.8	Staff should be reminded of the need to ensure that monies are accurately receipted, with monies being securely placed in the cash drawers.	Lost income.	Low	Team Leader (Warwickshire Direct)	Agreed. Staff will be reminded.	Immediate effect

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.1.14	Relevant departmental staff should be consulted to ask if they can promote alternative payment methods to their customers in order to reduce the amount of cash taken by Reception.	Theft of cash and threat to staff.	Low	DMC Team Leader	Agreed. This will be discussed with staff in the relevant service areas. The need for increased security will also be discussed with the Senior Project Coordinator for consideration as part of the Riverside House 'redesign'.	31/10/13
4.2.2	The DMC service catalogue on the intranet should be updated.	Staff are not aware of the services that the DMC can provide.	Low	DMC Team Leader	Agreed. This is scheduled to be updated as part of the new intranet which is due shortly.	31/12/13
4.6.7	Recharges should be based on figures relating to the correct period.	Recharges are based on inaccurate figures.	Low	DMC Team Leader	It had been previously identified that it was extremely time consuming for the team to accurately calculate re-charges (accounting for 3 days of time in a working week). The efficiency measures of basing calculations on the DTL's knowledge of the regular services undertaken were discussed with the Head of Finance and the current approach was agreed.	N/A

* Risk Ratings are defined as follows:

- Low - Minimal adverse impact on achievement of the Authority's objectives if not adequately addressed.
- Medium - Moderate adverse impact on achievement of the Authority's objectives if not adequately addressed.
- High - Requires urgent attention with major adverse impact on achievement of Authority's objectives if not adequately addressed.