

Final Audit Report Nottingham City Homes Cash Collection

Contents of Report	Page
1. Executive Summary	2
2. Introduction	3
3. Scope and Approach	3
4. Summary of Findings	4-5
5. Action Plan	6-8
Glossary of Terms	9

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1 Executive Summary

- 1.1 City Audit Services recently reviewed the effectiveness of controls over the cash collection system operated by Nottingham City Homes. This is reviewed as part of the Annual Audit Plan. The testing undertaken has been at the Bulwell and Aspley housing offices
- 1.2 In early 2007 a number of Managers within Nottingham City Homes set up a project team in order to visit every housing office in order to check adherence to the cash handling procedures, a number of problems were found. Following on from the work, the task of checking the procedures was left with the Managers of each office to do on a quarterly basis. As part of our audit work we have reviewed how this is going. Although we only visited 2 housing offices, it was disappointing that following the good work of the project team, only 1 office was found to be carrying out this quarterly monitoring. It is vital that all Managers understand the importance of such monitoring and carry it out at the suggested intervals.
- 1.3 Our review of random balances, reversals, unders and overs revealed some concerns. Of particular concern was the lack of information retained to support reversals carried out. An attempt to reconcile the reversals carried out from the records held within Central Cashiers to documentation held at the 2 housing offices, revealed missing information. Control in this area is important as the potential for irregularity to occur is high. In addition to this concern, it was noted that in respect of unders and overs, although the information is reported to senior staff, there is no evidence of any action being undertaken from this information e.g. staff training.
- 1.4 Implementation of the recommendations (by all offices) contained within our Action Plan should ensure that any weaknesses are addressed and controls improved.

2 Introduction

- 2.1 Nottingham City Homes operates 9 housing offices throughout the City. The purpose of the offices is to manage the housing areas in which they are located, and also to receive cash from the public.
- 2.2 The cash collection (Radius) system is one of the Authority's key financial systems and as such is audited on an annual basis. The main payments taken are for Housing Rent and Council Tax.

3 Scope and Approach

- 3.1 During 2007 visits were undertaken by a number of Managers within Nottingham City Homes to all housing offices to ensure that the offices were working currently in accordance with Nottingham City Homes cash handling procedures. From this, a report was issued to all offices, informing them of the problems found and the requirement for Management to take responsibility for the cash handling process. As a result of the work, it was recommended that in future each Housing Office Manager should carry out quarterly monitoring of adherence to the cash handling procedures using a Cash Procedures Checklist which was used during the original work.
- 3.2 City Audit Services reviewed the systems in place within the offices to ensure that these checklists were being completed and where necessary, staff are receiving the appropriate support and training where it is highlighted.
- 3.3 Within this audit we have also reviewed the following aspects of the cash collection system:-
 - Random Balances
 - Control of Reversals
 - Unders & Overs
 - Training of Staff

4 Summary of Findings

4.1 Cash Procedures Check List

- 4.1.1 The Cash Procedures Checklist was introduced to ensure that housing offices carry out sufficient monitoring of their own cash handling procedures. By using the checklist as a monitoring tool, it highlights any areas where improvements are to be made and ensures that where any additional training is required, it is identified. Housing offices were instructed to carry out these checks on at least a quarterly basis.
- 4.1.2 Testing showed that although Bulwell housing office had completed these checks on a monthly basis, Aspley housing office had not undertaken any of these checks in 2007.

4.2 Random Balance Checks

- 4.2.1 Each Cashier should undergo a random balance check on a monthly basis. This should be completed by a Supervisor and the form signed by both the Cashier and the Supervisor. By completing the random balance check, this ensures any errors are highlighted and limits the opportunity for misappropriation of funds. It sends out a clear message to all staff that management is ensuring that regular checks are being completed.
- 4.2.2 Testing showed that although random balances had been completed on a regular basis at Bulwell housing office, only 4 random balances had been completed from January 2007 till November 2007 at Aspley housing office.

4.3 Control Of Reversals

- 4.3.1 If a cashier makes an error when inputting details onto the Radius system this can be corrected by a Supervisor. The Supervisor should record the details of the reversal on the reversal log, and attach any relevant documentation. This log will then clearly show when errors are being made on a regular basis and if any particular Cashier requires additional training.
- 4.3.2 A list of reversals was obtained from Central Cashiers and used to compare to the list held at the housing office.
- 4.3.3 Testing showed that the list held at both housing offices was incomplete and a number of reversals had been undertaken, without being duly recorded.

4.4 Control of Unders & Overs

- 4.4.1 If a Cashier does not balance, checks should be undertaken by the Supervisor in the presence of the Cashier. If once all checks have been completed and no errors can be identified, the under/over banking should be entered onto the central log.
- 4.4.2 If the amount of the error is £20 or more, a memorandum should be sent to Andy Webb, the appropriate HOLO and the Area Housing Manager. It should state what action has been taken and a copy placed in the staff member's file.
- 4.4.3 Where the under/over banking is not identified at the housing office, a record is printed off by Central Cashiers and passed to Nottingham City Homes, Housing Operations Section. The information is collated and passed to the Area Housing Manager.
- 4.4.4 Testing showed that the correct procedures are in operation and senior staff are being notified of any under or over bankings. However, this information is not being linked into staff's One to Ones and training needs are therefore not being identified.

4.5 Training of Staff

- 4.5.1 All staff involved in the collection of cash have access to the Nottingham City Home's Intranet site. Detailed banking procedures can be downloaded which explain in-depth, what procedures staff are expected to follow when dealing with cash collection. Training sessions are held weekly at each housing office and a variety of subjects are discussed, including cash collection.
- 4.5.2 The banking procedures are of a good standard and it is stated in the procedures that staff should refresh themselves by reading them on a half yearly basis. Staff should sign to confirm that they have read and understood the banking procedures. Testing showed that staff had not been made to do this in the last six months at either of the housing offices.
- 4.5.3 From the testing completed by a number of the Managers it was recommended that management teams took responsibility for the cash handling process and that they include this in their staff's One to Ones. From the testing completed by City Audit Services it was evident that this was not happening. Either checks are not taking place or full records are not being completed. Without Management undertaking these checks, training needs will not be identified and targets for staff will not be set.

5 Action Plan

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
5.1 Supervision Procedures					
5.5.1	<p>Use of the Cash Procedures Checklist as a monitoring tools helps to ensure that good operating procedures for cash collection are being undertaken within the housing offices. It was noted that the checklist procedures had not been used as a monitoring tool in 2007 in respect of 1 of the housing offices.</p> <p><u>Risk</u> Without proper monitoring inadequate procedures, training needs and possible misappropriation of funds may go undetected.</p>	The Cash Procedures Checklist should be used by Managers on a quarterly basis to review the cash collection procedures.	Medium	Recommendation agreed. All offices to implement quarterly check by end of December 2007.	Head of Operations 31 st December 2007
5.5.2	<p>Random balances should be done on a regular basis. It was noted that only 4 random balances have been completed since January 07 at one housing office.</p> <p><u>Risk</u> Errors/misappropriation may not be highlighted.</p>	Random balances should be completed for all Cashiers on a monthly basis.	Medium	Recommendation accepted. Procedures to be reinforced with AHMs by end of November.	Head of Operations 30 th November 2007

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
5.5.3	<p>Logs of reversals are not being maintained, it was noted that on many occasions that reversals had not been recorded.</p> <p><u>Risk</u> A lack of audit trail with reversals increases the risk of misappropriation in the area and this would not be spotted.</p>	All Supervisors should record details of the reversals. These should be used to identify that all reversals are infact valid and to see if there are any training needs for staff.	Medium	Recommendation accepted. Procedures to be reinforced with AHMs by end of November.	Head of Operations 30 th November 2007
5.2 Training					
5.5.4	<p>Management at the housing offices are not ensuring that staff have read and signed to confirm that they understand the banking procedures. It was noted that new members of staff had started working at the housing office. Although they had been transferred from within the organisation, they had not signed to confirm that they understood the banking procedures.</p> <p><u>Risk</u> Staff in the organisation are unclear of the procedures to follow in respect of banking, which could lead to error and misappropriation.</p>	All relevant staff should sign to confirm that they have read and understood the banking procedures on a 6 monthly basis. Where the new members of staff have transferred, they should ensure that before they commence Cashier duties, they sign to confirm they understand the banking procedures.	Medium	Recommendation accepted. Cash Taking procedures to be included in induction training for all new reception staff, permanent and temporary. 6 monthly 1 to 1 meetings to include requirement to re-read procedures.	Head of Operations 31 st December 2007

Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
5.5.5	<p>The Management at the housing offices have stated that information is not always used from the checks i.e. random balances and unders and overs to ensure that any training needs are identified during staffs PDRs or One to Ones</p> <p><u>Risks</u> Any misappropriation of income will go undetected. Training needs are not identified which could lead to income being recorded in error.</p>	<p>Management at the housing offices should ensure that relevant paperwork is examined i.e unders and overs, reversals to identify if there is any misappropriation of funds and to ensure that any training needs are identified and can be discussed during the staff's PDR or One to One.</p>	Medium	<p>Recommendation accepted. Errors to be incorporated into 1 to 1 meetings.</p>	<p>Head of Operations 31st December 2007</p>

Signed..... Date.....

(Service Manager or above)

Glossary of Terms

1 Categorisation of Recommendations

The recommendations within this report have been categorised by City Audit Services as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.