



Leicester
City Council

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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

25 June 2014

Procedural guidance and recent changes in arrangements for cash-handling at the Council

Report of the Director of Finance

1. Purpose of Report

- 1.1. This report presents to the Committee the current procedure rules on cash-handling and security and the supplementary guidance issued by Internal Audit. It was requested by the Committee at its meeting on 15 April 2014, as recorded in the minutes at item 74.

2. Recommendations

- 2.1. The Committee are asked:
- (i) To note this report
 - (ii) To make such comments and recommendations as they see fit.

3. Summary

- 3.1. At its meeting on 15 April 2014, the Committee considered the Internal Audit Plan for the financial year 2014-15 and resolved:

that a report on cash handling and implemented changes be brought to a future meeting.

- 3.2. This report presents to the Committee:

- (i) The relevant sections of the Finance Procedure Rules, at Appendix 1
- (ii) The current cash-handling guidelines issued by Internal Audit, at Appendix 2. These are also summarised in a checklist for managers, as set out in Appendix 3.
- (iii) A brief outline of the main changes in the arrangements for cash-handling at the Council.

4. Report

4.1. Cash-handling procedures

- 4.1.1. All City Council officers who handle cash, whether income or petty cash and change floats, are bound by the Council's Finance Procedure Rules (FPRs). These are part of the Council's constitution and the relevant extracts are given at **Appendix 1**. It should be noted that the FPRs are out of date with reference to New Walk Centre. Amendments will be made as part of the next update.
- 4.1.2. Internal Audit's remit includes advice on and audit testing of cash-handling procedures at Council establishments. To help colleagues in ensuring that their processes meet good practice and thus avoid the weaknesses encountered in audit reviews, Internal Audit has published supplementary guidance as set out in **Appendix 2**. This version has recently been updated and is available on the City Council *InterFace* intranet.
- 4.1.3. Internal Audit has also provided a checklist for managers responsible for cash and cheques. This is also available on the Council's intranet and is set out in **Appendix 3**.

4.2. Recent changes in cash-handling at the Council

- 4.2.1. There have been numerous recent changes in cash-handling arrangements at the Council, including:
- The closure of area housing offices
 - The move of the central cash office to York Road
 - Increasing use of payment cards and on-line payments
 - The opening of the new Customer Services Centre on Granby Street
 - Rationalisation of the processing of various financial transactions through the creation of the Business Service Centre.
- 4.2.2. One aim of these initiatives is to reduce the volume of cash involved and replace cash with other, usually electronic, methods of collecting income or making payments. More work is in progress on this and future management effort will be directed towards reducing cash-handling to a practical minimum. Internal Audit reviews will be directed towards ensuring that effective controls are in operation. This includes ensuring that staff understand the rules and that there is proper management of these controls.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

Robust procedures for the control of cash are important to minimise the risk of accidental or fraudulent loss and to protect the staff with cash handling responsibilities. It is also important to continue to develop alternatives to cash; for example, expanding the on-line payment options available for residents and customers and making available payment cards that can be used to pay the Council in local shops.

Colin Sharpe, Head of Finance, x37 4081

5.2. Legal Implications

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister & Head of Standards, x37 1401

5.3. Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

Duncan Bell, Senior Environmental Consultant, Environment Team, x37 2249

6. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	Whole report. Part of the purpose of Internal Audit and the guidance and recommendations made is to give assurance on the controls in place to prevent fraud, theft and other irregularity associated with the handling of cash.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns good practice in the handling of cash, which is traditionally a high-risk activity. A main purpose of the internal audit process is to give assurance to Directors and this Committee that risks are being identified and managed appropriately by the business.

7. Background Papers – Local Government Act 1972

Files held by Internal Audit.

8. Consultations

Head of Revenues & Benefits, Financial Services

Head of Business Services Centre, Financial Services

9. Report Author

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Extracts from Finance Procedure Rules – cash

3.6 Income**Cash Income**

- 3.6.7 Officers responsible for the collection of money shall ensure that money collected is recorded and banked without undue delay.
- 3.6.8 Subject to the following Rules, all receipt forms, tickets and other types of controlled stationery by which income is acknowledged shall be ordered and supplied to divisions by the Director of Finance; and Divisional Directors shall be responsible for the safe custody of such documents.
- 3.6.9 Receipts and other forms of controlled stationery which are specific to a particular function may be ordered and controlled by the appropriate Divisional Director, in accordance with arrangements approved by the Director of Finance.
- 3.6.10 All cash received must be acknowledged at once by the issue of an official receipt or ticket, or an entry on a payment card provided for the purpose. No officer or agent of the Council shall give a receipt for cash received on behalf of the Council in any form other than an official receipt. No acknowledgement need be given for payment by cheque, however, unless requested by the debtor.
- 3.6.11 All money received must be accounted for and paid into an approved bank account, either directly, or via Cash Collection centres at New Walk Centre or the Area Housing Offices, on the day of the receipt, or as soon as practicable thereafter, dependent on the values involved and arrangements for the safe custody of cash (i.e. ensuring insurance value limits are not exceeded). An officer may on no account borrow any money temporarily for their own use, nor should they, except in the case of expenses they incur whilst travelling on Council business, make payments on behalf of the Council from their own pocket. Arrangements may be made with the Director of Finance for an officer who is handling small sums to bank less frequently.
- 3.6.12 An officer is responsible for the safe custody of any money she or he has received until it has been balanced and banked or handed over to another officer for banking. If the money is handed over to another officer, a receipt should be obtained from the officer receiving it. If the money is in a sealed container, the officer should obtain a receipt for the container.
- 3.6.13 Whilst money is in their custody, officers should, at no time, leave it unattended unless it is locked in a safe place, to which the officer alone has access, and which fulfils insurance requirements.
- 3.6.14 All officers who pay money into any of the Council's bank accounts shall list the amount of every cheque on the paying-in slip and the counterfoil or duplicate, together with some reference, such as an account number, which will connect the payment with the debt; or failing this, the name and address of the debtor.
- 3.6.15 Cash received by officers on behalf of the Council shall not be used to cash postal orders, personal or other cheques.
- 3.6.16 The Director of Finance is responsible for approving all systems for the processing of payments by debit, credit and top up payment cards.

Extracts from Finance Procedure Rules – cash

3.10 Cash Advances, Petty Cash floats and Imprest accountsDefinitions

3.10.1 For the purposes of this sub-section of the Finance Procedure Rules the following definitions shall apply:

A **cash advance** is a specific cash loan made to an employee to enable them to purchase appropriate items/services in connection with their employment by the City Council.

A **petty cash float / imprest account** is an amount of money provided for the purpose of funding small cash payments incurred on behalf of the City Council.

A **petty/imprest cash book** is a record of cash payments made from a petty cash /imprest account.

A **cash voucher** is a receipt or other document evidencing the making of a payment from petty cash float / imprest account, supplied by the vendor.

A **petty cash float / imprest account holder** is an officer authorised by their Divisional Director to hold a petty cash float or imprest account.

Rules

3.10.2 The Director of Finance may provide cash advances from the main Cash Office, or other designated distribution points, to employees for such amounts as are considered necessary by Divisional Directors for the purpose of meeting expenses. Divisional Directors are responsible for ensuring that employees promptly return any unused advances together with valid receipts to support monies expended, to the appropriate distribution point. Where this does not occur the Director of Finance may authorise deduction of the appropriate sum from the employee's next salary payment.

3.10.3 The Director of Finance may provide petty cash floats / imprest accounts of such amounts as are considered necessary by Divisional Directors for the purpose of meeting minor expenses.

3.10.4 Divisional Directors are responsible for making arrangements for the safe keeping and proper use of all petty cash / imprest accounts.

3.10.5 Each petty cash float / imprest account must be in the sole charge of a single petty cash float / imprest account holder, who is responsible for the proper use and safety of the sums held. Divisional Directors shall ensure that petty cash float / imprest account holders sign a document to confirm receipt when first acquiring a petty cash float / imprest account. The petty cash float / imprest account holder may use the account to make payments in respect of expenditure legitimately incurred for Council purposes, and must record payments made in a petty cash / imprest cash book. The petty cash float / imprest account holder shall obtain cash vouchers for all payments made, and such cash vouchers shall adequately record any VAT incurred and have VAT receipts attached. The person receiving the cash sum shall sign the voucher.

3.10.6 When a petty cash float /imprest account needs replenishing, the petty cash float /imprest account holder shall summarise payments made on a record in a form approved by the Director of Finance. The record must be certified as correct by an authorised officer, who must check the petty/imprest cash book, the cash vouchers and any cash

Extracts from Finance Procedure Rules – cash

- held. The completed record, and such other documentation as the Director of Finance shall require, shall be presented to the Director of Finance for reimbursement.
- 3.10.7 Each petty cash float /imprest account must be kept in a lockable box to which the petty cash/imprest account holder alone has access. The box shall be kept securely, for example in a lockable cupboard or safe, in accordance with arrangements specified by the Director of Finance (Specific requirements for Insurance cover must be met).
- 3.10.8 On ceasing to hold a petty cash float /imprest account, the petty cash /imprest account holder must produce the petty/imprest cash book, vouchers and any unspent balance to an authorised officer for checking and retention. The advance will then be handed over to a successor nominated by the Divisional Director, or returned to the Director of Finance.
- 3.10.9 Petty cash float /imprest account should only be used for small transactions where it is quicker and more efficient to buy the goods locally rather than by official order.
- 3.10.10 Travelling, subsistence and post-entry training expenses should be reimbursed through the appropriate allowance payment systems, and not from petty cash float /imprest account.
- 3.10.11 No income should be paid into a petty cash float/imprest account.
- 3.10.12 For the purposes of closure of the Council's accounts each financial year end, the Director of Finance will require a certificate from each petty cash float /imprest account holder, which should be countersigned by an authorised officer, providing such details as the Director of Finance shall specify.
- 3.10.13 Divisional Directors shall keep up-to-date records of petty cash float / imprest account holders.

Ends

Leicester City Council - Internal Audit Guidance on Cash-Handling Procedures

1.0 Introduction

This guidance note has been written to help City Council staff whose duties include the collection and security of cash. It is designed to ensure that staff are aware of good cash handling procedures. Staff should follow these guidelines in order to minimise errors and loss and to ensure that, in the event of such occurrences, problems can be resolved swiftly. Such procedures exist to inform staff of good practice and to protect everyone's interests in the event of queries. In this note, cash includes cheques as well.

2.0 Cash Collection

- 2.1 Handling of cash must be restricted to designated responsible officers only.
- 2.2 In the event of the use of temporary and agency staff, the line manager must make them aware of the Finance Procedure rules and these Cash Handling guidelines prior to commencement of their duties. All temporary and agency staff must be closely supervised by the line manager.
- 2.3 Officers must issue an official receipt for all cash collected and received on behalf of the City Council (Finance Procedure Rule 3.6.10).
- 2.4 Receipt books must be serially numbered and controls must be exercised over their issue, use and safe custody, receipts should be used in a sequential order to help identify if any are missing (Finance Procedure Rule 3.6.8 and 3.6.9).
- 2.5 Officers must ensure that cash collected is recorded, safeguarded and banked intact without undue delay (Finance Procedure Rule 3.6.7).

3.0 Cash Security

- 3.1 Officers are responsible for the safe custody of all cash collected and received within and outside normal office hours (Finance Procedure Rule 3.6.12).
- 3.2 Officers must ensure that cash collected and received is not left unattended at any time (Finance Procedure Rule 3.6.13).
- 3.3 Officers must ensure that cash is locked in a safe place such as a lockable safe or drawer which fulfils insurance requirements and whose access is restricted to authorised personnel only (Finance Procedure Rule 3.6.13).
- 3.4 Cash collectors, and others carrying cash outside of council premises, should ensure that they comply with Risk Management guidelines.
- 3.5 Officers must notify Leicester City Council's Corporate Counter-Fraud Team (37 4044) immediately of all breaches of security relating to cash.

4.0 Banking

- 4.1 Officers must ensure that all monies collected and received are recorded and paid into an approved bank account on the day of receipt, or as soon as is practicable thereafter, dependent on the values involved and arrangements for the safe custody of cash (Finance Procedure Rule 3.6.11).

Leicester City Council - Internal Audit Guidance on Cash-Handling Procedures

- 4.2 Officers must ensure that paying-in slips are reconciled against initial receipt records and the cash-book before cash is banked.
- 4.3 Division of duty must exist to ensure that officers collecting and receiving cash are not responsible for updating records and preparing the banking.

5.0 Accounting for Cash

- 5.1 Cash collected must be reconciled to relevant till audit rolls and banking and cash received records on a daily basis by two officers. The reconciliation must be in writing and signed off by both officers in attendance. All discrepancies should be clearly recorded.
- 5.2 Where cash shortages and surpluses (overs & unders) are identified as per 5.1, the cash must be recounted in the presence of another officer and re-reconciled back to cash received records. All discrepancies must be documented in an unders and overs book and those of £5.00 and over should be investigated by the Line Manager. Any unresolvable differences must be notified to the Corporate Counter-Fraud Team on 37 4044.
- 5.3 Officers are prohibited from borrowing any money or making any payments out of cash received on behalf of the City Council (Finance Procedure 3.6.11).

6.0 Petty Cash & Imprest Accounts

- 6.1 Petty cash floats and imprest accounts are amounts of money provided for the purpose of funding small cash payments incurred by employees on behalf of the City Council. Reimbursement of petty cash floats is from a council cash office and is arranged by departmental finance sections. Imprests have a bank account that is reimbursed by BACS by departmental finance sections; the imprest holder has a chequebook and withdraws cash from the bank.(Finance procedure Rule 3.10.1)
- 6.2 The petty cash float or imprest account must be managed and controlled by a designated responsible officer (Finance Procedure Rule 3.10.7).
- 6.3 The responsible officer must sign a Petty Cash Certificate document to confirm receipt when first acquiring a petty cash or imprest account (Finance Procedure Rule 3.10.5).
- 6.4 The responsible officer must only use the petty cash or imprest for legitimate expenditure incurred for Council purposes (Finance Procedure Rule 3.10.9).
- 6.5 The responsible officer must ensure that a VAT receipt is obtained, where possible, for each expenditure transaction that is reimbursed via petty cash or imprest (Finance Procedure Rule 3.10.5).
- 6.6 The responsible officer must ensure that petty cash or imprest is only used for small transactions (up to an indicative value of £15 per item) where it is quicker and more efficient to buy the goods locally rather than by official order (Finance Procedure Rule 3.10.9).
- 6.7 The responsible officer must ensure that petty cash or imprest transactions are recorded in a cash-book, which is balanced and reconciled at least weekly (Finance Procedure Rule 3.10.5).
- 6.8 The responsible officer must ensure that petty cash or imprest cash is locked in a safe place such as a lockable safe or drawer which fulfils insurance requirements and whose access is restricted to authorised personnel only (Finance Procedure Rule 3.10.7).

Leicester City Council - Internal Audit Guidance on Cash-Handling Procedures

- 6.9 The responsible officer must ensure that the petty cash book, vouchers and unspent balance are returned to Control & Support Section (Resources Department) for reconciliation and retention, on cessation of a petty cash float (Finance Procedure Rule 3.10.8). On cessation of an imprest account, all chequebooks, cash and vouchers must be returned to the departmental finance section for reconciliation.

Ends

