

**Manchester City Council
Report for Information**

Report to: Audit Committee – 20 March 2014

Subject: Cash Handling Audits – Directorates of Children and Commissioning and Families, Health and Well Being

Report of: The City Treasurer

Summary

This report provides Audit Committee with an update of the progress made with implementation of recommendations by Internal Audit of cash handling in Directorate for Children and Commissioning and Directorate for Families, Health and Wellbeing.

Recommendations

Audit Committee is asked to note the contents of the report.

Wards Affected:

All

Contact Officers:

Rachel Rosewell, Head of Finance – Directorate for Children & Commissioning Services and Directorate for Families, Health & Wellbeing
Kath Smythe – Strategic Business Partner, Children & Commissioning Services
Nicky Parker - Head of Business Delivery, Families, Health & Wellbeing

Background documents (available for public inspection):

Internal Audit reports to Audit Committee 2012/13 and 2013/14

1. Introduction

- 1.1 In September 2013 Internal Audit presented a report on Cash Payments to the Audit Committee which included a number of recommendations. These recommendations related to both the Children's and Commissioning Services (CCS) and Families Health and Wellbeing (FHW).
- 1.2 This report provides an update on progress with regard to the implementations of the recommendations.

2. Audit and Investigation Issues

- 2.1 The cash handling audit looked at whether cash resources had been handled in a manner consistent with good business practice and whether assets were adequately safeguarded against misappropriation, misuse, loss and theft. Internal Audit assurance provided in this area has been either moderate or limited and has recommended:
- Consistent management oversight in relation to the management of cash handling and assurance of procedures being adhered to across the Directorate.
 - Greater clarity in relation to roles and responsibilities and the need for adherence to financial procedures, in particular:
 - Use of imprest accounts for specified and appropriate purposes.
 - Record keeping and audit trails of movement of funds.
 - Regular completion of bank reconciliations.
 - Levels of cash held are appropriate and periodically reviewed.
 - Accounts that are no longer needed are closed on a timely basis.
 - Consideration of alternatives to cash payments.
 - Management information sufficient to inform challenge, scrutiny and decision making.
- 2.2 It is a priority for the Directorate leadership teams that the inherent risks associated with cash payments are mitigated. To help achieve this ongoing action is required to ensure Internal Audit recommendations are implemented.
- 2.3 The Directorates' Business Support and Finance teams, in consultation with Internal Audit, have been working towards addressing these recommendations and improving the management and control environment of cash payments across service areas.

3. Imprest Accounts

Families, Health and Wellbeing

- 3.1 FHW cash payments relate to short term, one-off payments, mostly relating to service users in supported living accommodation and day centres. It was reported in September that 16 accounts had been identified. Work has been completed within Finance to ensure all accounts have been identified and

regular monthly reconciliations have taken place. The position was reported to management in December 2013.

- 3.3 On an ongoing basis where there are differences over £100, Business Support and Finance will continue to investigate the matter with the relevant Head of Service and an appropriate decision made on how to resolve, in consultation with Internal Audit. Further investigations required with three accounts for discrepancies with sums between £139 and £815.
- 3.4 Accounts have been identified which need to be closed and instructions to relevant staff to confirm what actions are required with advice sought from the Shared Service Centre to ensure the correct procedures are followed. Finance staff will continue to work with the business to ensure accounts are closed.
- 3.5 In order to retain approved imprest accounts, business cases will be required for all existing accounts from relevant service area leads. Business cases will also be required when services are seeking to open new imprest accounts. Present imprest values in relation to the remaining three day centres appear too high when the value of activity through the account is taken into consideration. Further work will be undertaken in relation to this by Finance and Business Support.
- 3.6 The Internal Audit report Cash Handling – Resource Centres included six significant recommendations, of which two have been fully implemented and partial progress has been made towards the remaining four. There have been some delays in progressing these recommendations, which in part is due to service redesign. However, further improvements are required in terms of compliance with procedure and also the completion of business cases for the centres which remain in operation.

Children & Commissioning Services

- 3.7 CCS imprest accounts relate to service users of the Residential Care Homes and four locality offices. At the Residential homes payments are made to support a normal home, family and community life and to support a parental and homely environment.
- 3.8 At the start of the financial year there were 8 Residential imprest accounts. However due to the service withdrawing from some of the internal homes 2 have now been closed, 1 is in the process of being closed and a further one will shut at the end of the financial year. The remaining 4 homes have all had business cases completed and submitted to the Shared Service Centre.
- 3.9 Imprest accounts at the locality offices are used to support service users and are mainly one-off payments under Section 17 or to support families having contact with children. At the start of the financial year there were 5 locality imprest accounts. However due to reorganising the service this has now reduced to 4 and the 1 account no longer required has been closed.

- 3.10 Business cases have been completed with the exception of South Locality Team which is to be completed at the end of March. The delay is due to movement of staff particularly the permanence teams and once the service can clarify the amounts required the business cases will be finalised. The two that have been completed have also had their limits reduced as the service did not require the full amount. All imprest accounts have been reconciled on a monthly basis and the recent reconciliations did not identify any issues of concern.
- 3.11 There are 8 accounts within CCS that have been identified to be closed. As there are discrepancies on these historic accounts investigations are underway and it is likely that a request will need to be made to the Treasurer to write off the differences that cannot be resolved. This will be actioned by March 2014.
- 3.12 The Residential Children's homes whilst still requiring an imprest account will also have use of a purchase card. This will be used to purchase food and vehicle costs resulting in a more secure method of payment, reduced demand on the imprest account and safety for staff.

4. Client Financial Services

- 4.1 Previous Internal Audit investigations, confirmed the amount of cash in network properties where there are service users with a learning disability (LD) makes them particularly vulnerable to financial abuse.
- 4.2 The plans to significantly improve control and reduce cash in LD network properties were dependent upon increasing the role of Client Financial Services (CFS). People in LD networks without the capacity to manage their finances and with no family able to take on this role were to be referred to CFS to become their Appointee or Deputy. This would allow CFS to manage peoples' finances, including the creation of "house" accounts for shared bills, reducing the amount of cash being handled in the property and introducing greater control and visibility of spend.
- 4.3 To date CFS has appointed two new members of staff to cover the increased workload. The team currently has 540 current cases, with an average caseload of 69 per officer. There is a current waiting list of 50 people and the service are continuing to identify more people that need Appointee or Deputy support.
- 4.4 The Association of Public Authority Deputies (APAD) has recommended a charging policy for Local Authority Appointeeships, which the Council's Legal Section has recently confirmed can be implemented following consultation and an equality impact assessment. Whilst a charge could not be made to cover the full cost of the service, it is being considered if a recommended charge of £5 per week by the APAD is made, whether that could be used to fund additional capacity in the in-house team or commission externally a service to support additional people.
- 4.5 Where service users still receive cash from the district offices on a weekly basis, CFS has worked closely with the Directorate and Internal Audit to improve the

systems for provision of cash to customers in the district offices as set out in the last report. These systems continue to be adhered to.

- 4.6 The cash card scheme provider greater security over access to an individual's bank accounts. All CFS customers have a bank account owned and managed by the department for their appointeeship. In cases where a cash card is required for personal allowance, CFS open a second 'feeder' account with a cash card attached. The card is allocated to two authorised people to use for withdrawing weekly personal allowance cash for the customer.
- 4.7 CFS arrange for the agreed amount to be transferred weekly from the main appointeeship account to the card account. The card user cannot access any funds in the main account, they can only access whatever value of funds CFS puts in the card account. The money is withdrawn by the designated card users each week and the card account is then at zero balance and no further transaction can be made. If additional funds are required a written request is sent to CFS and the funds are transferred to the card account, following appropriate authorisation processes. When the card user makes a transaction, this is recorded at their location office by Business Support staff.
- 4.8 CFS run a report every Monday from the on-line banking system to cross check all transactions on the cards for the previous week, against our listed of planned transactions. Any anomalies would be picked up here. If the funds have not all been withdrawn for the previous week, CFS would transfer money back to the main account.
- 4.9 A long term solution to replace cash payments to customers is being considered. Alternatives including direct access to essential goods and prepaid utility cards are being explored. However to introduce these alternatives requires negotiation with third parties and is currently ongoing.

5. Management oversight of adherence to policies and procedures

- 5.1 The report to Audit Committee in September set out an action plan to improve adherence to financial regulations in relation to cash payments across FHW and CCS. The plan details key issues, progress, responsibility and timescales and potential follow-up required. The Head of Finance for FHW and CCS will report back progress to the Leadership Teams at the end of 2013/14. To date the following key actions should be noted:
 - Business Support Officers have been named as key contacts within the hubs and are responsible for the management of each account. They will have a clear remit for ensuring all supporting documentation is retained and report on activity and use of the account to the relevant named service lead. The management structure for Business Support should be in place by 1 April 2014.
 - There are two named Finance Officers with responsibility for ensuring regular reconciliations take place and a rolling programme of monthly visits carried out to centres to identify and assist with issues.

- The Business Support Financial Awareness briefing has been refreshed. This briefing covers responsibilities around cash handling and emphasises the importance of clear audit and accountability. This has been delivered to grade 3 and 4 staff with further sessions planned during early 2014 to target management level.
- Briefings are to be made available as an e-learning course to refresh staff annually once the briefings are completed.
- Finance is to be included in the Business Support induction process. All staff new to the services will receive the generic finance briefing followed by a specific one-to one-session regarding the system.
- Cash handling guidance has been updated, approved by both Finance and Internal Audit and is now available on the intranet. This includes a finance checklist for managers.
- Communication was sent out on 13 December 2013 via intranet Broadcast to advise all staff of the changes to the training and guidance documentation.
- By early January 2014 all sites will operate electronic cash recording systems in place of manual / paper based records.
- Business Support Team Leaders will undertake quarterly reconciliations to support centre managers to identify any issues around unbalanced figures or processes being incorrectly followed or inappropriate use of imprest accounts.
- SAP approval of imprest reimbursements for Children's Services is now actioned by a Senior Finance Manager. This allows detailed analysis and challenge of requests.

6. Recommendations

- 6.1 Audit Committee is recommended to note progress made to date and plans in place to continue to address audit recommendations. Action has been taken to ensure oversight and management of cash handling, greater clarity and accountability for imprest accounts and to ensure procedures are adhered to and to seek alternatives for and minimise use of cash.