

DEPARTMENT  <b>Corporate Services</b>	AUDIT REVIEW  <b>Petty Cash (2023/24)</b>	FINAL REPORT ISSUED  <b>25 March 2024</b>
---	---	---

**BACKGROUND**

The Authority has over 150 Petty Cash accounts totalling approximately £67,000. Official orders should be raised wherever possible, however in the case of some minor purchases, petty cash may be used (up to £75 for any one transaction).

**SCOPE**

The purpose of the Audit was to assess the effectiveness of the current procedures and controls in place for the administration and management of petty cash to ensure that:

- There are adequate documented procedures in place which have been disseminated to all relevant staff;
- There are appropriate controls in place to ensure petty cash is appropriately accounted for;
- There are adequate controls in place at Establishments over petty cash expenditure;
- Expenditure is appropriate for the Establishment and complies with the Authority’s Financial Procedure Rules;
- Petty cash expenditure complies with VAT regulations;
- Levels of petty cash held at Establishments are in line with the Authority’s insurance requirements.

**SUMMARY OF RECOMMENDATIONS**

The audit findings and recommendations are detailed in the attached Action Plan. A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
<b>Number of Recommendations</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

**ASSURANCE RATING**

The post review assurance level for systems relating to Petty Cash is categorised as: **LOW**.

Internal Audit review – Petty Cash (2023/24)

Action Plan

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action Responsible Officer(s)   Target Date	Updated Position
1	<p><b>Annual Certification Exercise</b></p> <p>On an annual basis, a certification exercise is undertaken; the 2022/23 exercise was completed, with a 79% return rate. Whilst follow-up e-mails were issued in an attempt to receive all certifications, 21% remained unreturned.</p> <p>Internal Audit reviewed 20 Petty Cash accounts to test compliance with the requirement to provide a certificate demonstrating Petty Cash float reconciliation; it was identified that only 10 reconciled annual certificates were received by the Creditors section, 4 others were received but did not reconcile and 6 were not received at all.</p>	<p>The annual certification exercise is an important internal control; appropriate procedures should also be put in place to ensure effective follow up of outstanding responses. Where responses remain outstanding, an escalation protocol should be established and implemented to ensure Petty Cash account holders are aware of their responsibilities and that responses are received.</p>	**	<p>Agreed. Escalation protocol to be developed based on combination of value and areas of concern (i.e. multiple non-returns).</p> <p>Return rate has now reached 88% (March 24), but remainder will be escalated via Head of Service.</p> <ul style="list-style-type: none"> <li>▪</li> </ul> <p>Randal Hemingway Head of Financial Services</p> <p>30 June 2024</p>	Action complete
2	<p><b>Petty Cash Database</b></p> <p>Review of the Petty Cash database identified that some detail on the maintained database is inaccurate.</p> <p>Internal Audit sample testing of 10 Petty Cash accounts identified that in four instances, the established Petty Cash account was not being used at</p>	<p>A thorough review of all Petty Cash accounts should be undertaken, to ensure all remain appropriate for use, and are being administered by the nominated Petty Cash account holder. The database should be updated to reflect the results of the review, and should be kept up to date to record accurate information at all times.</p>	**	<p>Actions to be undertaken:</p> <ul style="list-style-type: none"> <li>- Annual report on unused petty cash accounts to be provided by creditors to Head of Financial Services for review and action</li> <li>- Shift from named responsible officer to responsible role</li> </ul>	Target date not yet reached

Internal Audit Update: Report B

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action · Responsible Officer(s)   Target Date	Updated Position
	all and one account had not been used since 2021.			- Annual certification exercise to include confirmation of role and current incumbent  ▪ Karen Mansel Systems and Accounts Payable Manager  30 September 2024	
3	<b>Petty Cash Reconciliation</b> Records maintained by the Creditors section identified that the Authority has 164 Petty Cash accounts in existence, totalling approximately £66,853. This figure, however, does not reconcile to the imprest account total recorded on the Financial Management System, which is £76,311.	A reconciliation should be undertaken, on at least an annual basis, to ensure that the figures recorded on the Petty Cash database and on the Financial Management System tally. Any discrepancies should be investigated, with remedial action taken to address the difference.	**	Accepted – to be addressed during 2023/24 statement of accounts process.  ▪ Randal Hemingway Head of Financial Services  30 June 2024	Work has commenced on this, and is due to be concluded imminently.
4	<b>Petty Cash Account Usage</b> Detailed testing was undertaken on a sample of 10 Petty Cash accounts; the following issues were identified: <ul style="list-style-type: none"> <li>Whilst it is pleasing to note that cash was held securely at the majority of sites, one instance was identified where the cash is accessible to a number of officers throughout the working day.</li> </ul>	Reminders should be issued to all Petty Cash account holders of their responsibilities in terms of appropriately administering the Petty Cash account, in particular the requirement that Financial Procedure Rules are complied with at all times. Consideration should be given to providing training to all Petty Cash account holders on the appropriate	**	Account holders to be reminded of responsibilities under FPRs, including security, spot checks and receipts. Consideration to be given to £75 limit, which has not kept pace with inflation over a period of time.  ▪ Randal Hemingway	Action complete

Internal Audit Update: Report B

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action · Responsible Officer(s)   Target Date	Updated Position
	<ul style="list-style-type: none"><li>• No evidence of any spot checks being undertaken, as required by Financial Procedure Rules (FPRs).</li><li>• Two instances where receipts were not available to support the expenditure.</li><li>• Six instances where expenditure was over the £75 limit.</li></ul>	administration of Petty Cash accounts.		Head of Financial Services  30 June 2024	