



Internal Audit Report
Review of Controls Operating Over Petty Cash
Issued: March 2015

Level of Assurance - Poor	The control framework is inadequate or ineffective and the issues identified require immediate attention to prevent financial loss or reputational damage to the Council.
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Executive Summary

1.0 Introduction

At the start of the 2014/15 financial year, there were 112 petty cash imprest accounts with a total balance of £59K within the Council. 65 of the petty cash imprest accounts are within the Education, Communities and Economy Directorate (£36K), 20 are within the Health and Social Care Directorate (£7K) and 27 are within the Resources Directorate (£16K). It is planned to reduce the number and value of petty cash imprest accounts following the introduction of Purchasing Cards via the Purchase to Pay Project (this was the subject of a separate Internal Audit review). Each Director has been requested by the Chief Executive to review the number of petty cash imprest accounts with a view to reduction.

The petty cash imprest account is intended to be used to claim for small day to day expenditures such as postage, clients' travel expenses, pre-paid utility cards etc and for emergency purchases or the emergency disbursement of funds. A Resources procedure (dated 2002) is incorporated within the Council's Financial Directives and there is also a supplementary Education, Communities and Economy petty cash policy guideline (principally for schools which was last updated in October 2013).

Imprest holders are responsible for the day to day administration of the cash imprests which involves disbursing petty cash, allocating expenditure to the correct finance code, analysing Value Added Tax (VAT) where applicable and ensuring receipts are received and retained. Financial Services are responsible for approving the petty cash imprest holders, setting up new bank accounts for petty cash imprest accounts and amending the imprest amount when required. The Creditors team within Business Applications are responsible for the replenishment of petty cash imprest accounts, when required, and ensuring that the petty cash reimbursement claims have been appropriately authorised.

2.0 Objectives of the Audit

The objective of the audit was to form an opinion on:

- the adequacy of the processes and controls established at a Council level over the operation of petty cash imprest accounts; and
- the level of compliance against the established processes and controls for a sample of petty cash imprest accounts.

A high level review of petty cash was initially planned however early work by Internal Audit suggested that a wider review was required and thus a more detailed audit was undertaken.

A sample of 11 petty cash imprest accounts from across the Council were selected to test compliance against the petty cash procedures as follows:

- 2 petty cash imprest accounts in Health and Social Care Directorate;
- 4 petty cash imprest accounts in Resources Directorate; and
- 5 petty cash imprest accounts in Education, Communities and Economy Directorate.

A copy of the terms of reference for the review is attached at Appendix 2.

3.0 Conclusion

During the audit, issues regarding the use of petty cash were found in all of the 11 areas that were reviewed. Improvements over the control of petty cash are required as there is a current risk of financial loss, non-compliance with HM Revenues and Customs requirements and reputational damage to the Council. It should be noted that this audit did not reveal any fraudulent expenditure paid through petty cash but did find that there was a lack of clear policy and a lack of training for staff.

The main control issues identified during the audit were as follows:

- there is a lack of monitoring and scrutiny by budget holders over petty cash expenditure and a lack of challenge by managers during the authorisation of petty cash claims. In addition, there is a lack of any centralised monitoring and challenge over the type of expenditure claimed. Together this allowed expenditure to be processed through the petty cash system that should have been claimed through other systems. For example, expenditure has been claimed through petty cash that should have been processed via: the Payroll system (eg employees' travel / subsistence expenses totalling £1,274 and additional hours / casual work totalling £1,617); the Accounts Payable system (eg invoices totalling £6,226) and the Fuel Management system (eg fuel purchased for standby vehicles totalling £143);
- there is a lack of evidence that petty cash floats have been independently verified / physically checked and no unannounced checks or reconciliations of floats are undertaken by line management to ensure the correct amount of funds are present in each float. This can increase the potential risk of theft going undetected and may increase the risk of misuse of funds;
- we noted that there have been thefts of petty cash from two areas in the past two years (totalling £1,243) which were identified by management. Disciplinary investigations were undertaken and internal controls have been strengthened within these areas. However, issues relating to the security of petty cash were identified in other areas during the audit increasing the potential risk of theft of cash;
- there are two Petty Cash procedures within the Council. Having two separate procedures for an identical process causes inconsistencies and is a duplication of effort. There are differences between the two procedures and there is a lack of clear guidance in both over the

treatment of VAT. Testing identified instances where VAT had been recovered in the absence of a VAT receipt (9 instances totalling a VAT value of £81) and instances where VAT had not been recovered despite a VAT receipt being attached (27 instances totalling a VAT value of £495) resulting in financial loss to the Council of £414; and

- employees have used their personal credit or debit cards to purchase items from shops or online and have claimed for the expenditure through the petty cash float (totalling £2,250). It was also noted that some goods such as stationery and digital devices were delivered to employees' home addresses'. Employees should not be required to use their personal credit or debit cards to purchase items and appropriate facilities should be provided for this purpose by the Council (see below for details on purchasing cards).

New functionality within the Integra system (the Council's finance system) is being implemented across the Council via the Purchase to Pay Project Team. This functionality, in conjunction with the introduction of Purchasing Cards, will assist in reducing the need for petty cash usage and invoice volumes. It is expected that a small scale pilot for Purchasing Cards will be implemented in April 2015. Following a wider implementation of Purchasing Cards, Council employees will have less need to use their own personal credit and debit cards and the requirement for petty cash should reduce. The Purchase to Pay project will also introduce functionality that will provide electronic forms, automated workflow (that includes authorisation of petty cash claims), segregation of duties and the scanning and attachment of receipts to claims. The new functionality within Integra (including the use of Purchasing Cards) will provide greater transparency, improved monitoring and reduced paperwork.

Given that we have identified significant issues in this review we have rated the strength of the internal controls over petty cash as **poor** (in accordance with the table on page 13).

4.0 Audit Issues and Management Action Plan

4.1 Expenditure Claimed through Petty Cash

Although guidance regarding the purpose and use of the petty cash account is detailed in the current policies, this should be more clearly defined and communicated to staff to prevent ambiguity regarding allowable purchases and to ensure that items purchased through petty cash are of an appropriate nature. Instances where payments were processed through the petty cash account that should have been claimed through other systems are as follows:

- payments to staff for additional hours worked and payments to casual workers totalling £1,617 (Education, Communities and Economy Directorate) with the potential risk that appropriate tax is not collected and paid to the HM Revenue and Customs. This expenditure should be processed through the Payroll system;
- travel and subsistence expenses totalling £1,274 (Education, Communities and Economy and Resources Directorate) which by-passed the central recording system for such expenditure. These payments should be processed through Payroll or staff can arrange for travel (eg train tickets) to be booked and paid for via the Council's travel company supplier;
- payments for invoiced goods that should be processed through the Accounts Payable System (eg franking machine payments totalling £1,206 and taxi fares for pupils totalling £1,363 (Education, Communities and Economy Directorate));
- reimbursement to staff or agency staff for fuel costs associated with using their own vehicles totalling £162 (all Directorates). This expenditure should be processed through Payroll (staff) or Accounts Payable (agency staff);
- reimbursement for adding fuel to Council vehicles on standby totalling £143 (Resources Directorate) rather than using the Council's fuel system or fuel cards; and
- internal re-charges journal where £3,569 had been drawn by cheque on the petty cash account from a school to the Council's Catering Service (for breakfast club / staff lunches) rather than using an internal re-charge journal (Education, Communities and Economy Directorate).

In addition the current policy and procedures provides insufficient guidance to staff on the type and nature of expenditure that the Council would be expected to reimburse (for example food and drink for internal and external meetings). This matter has subsequently been considered by the Corporate Management Team who have strengthened procedures.

4.2 Petty Cash Controls

Petty cash imprest accounts should be independently monitored by the budget holder to ensure that items purchased through the petty cash account are of an appropriate nature and to ensure that the controls over petty cash are being followed. It was found that budget holders were not always implementing the controls listed in the current procedures and there was a lack of monitoring and scrutiny by management over petty cash expenditure and a lack of challenge during the authorisation of petty cash claims (all Directorates). There is also a lack of a centralised monitoring function within the Council to monitor and challenge inappropriate expenditure processed through the petty cash system. Management have advised that a monitoring system will be introduced once Purchasing Cards are introduced. Detailed management information will be available regarding the expenditure processed through Purchasing Cards and this will be centrally monitored by the Procurement team. The following control issues were identified:

- the Resources procedure states that ‘line managers should carry out a series of surprise checks to act as an effective deterrent’ but the audit found that these checks were not undertaken (all Directorates);
- the Resources procedure states to ‘reconcile the cash balance to the records once a week and get your line manager to check and countersign your workings’. The audit found evidence that management were not always adequately reviewing or checking the petty cash reconciliations;
- although a list of all petty cash imprest holders is maintained within Financial Services, it is not regularly reviewed (eg when there has been a change in the management structure) to ensure it remains accurate and up to date; and
- the petty cash top-up claim form had not been signed in one area (Resources Directorate) and was authorised by a manager who was not on the authorised signatory system in one area (Education, Communities and Economy Directorate). Management reported that this manager was providing temporary cover for 9 months and no longer works in that area.

4.3 Petty Cash Procedures

The governance and control framework for petty cash is outlined in the Council’s Financial Regulations and further expanded in the Resources procedure and the Education, Communities and Economy policy guideline. The procedures list the controls that services are expected to implement to reduce the risk of error and fraud. A review of these procedures has identified that they are not comprehensive and are inconsistent as follows:

- there are two Petty Cash procedures within the Council. Having two separate procedures for an identical process may cause inconsistencies and is a duplication of effort. The Resources procedure was last updated in 2002 while the Education, Communities and Economy policy guideline was last updated in October 2013. We noted differences between the two procedures (eg the Education,

Communities and Economy policy guideline states that the imprest should be reimbursed when the value falls to a quarter but the Resources procedure states ‘to regularly top up the imprest before you run out of cash’;

- the Resources procedure states that a VAT receipt should be obtained and the Financial Regulations state that ‘The Head of Finance and Human Resources will provide guidance on the minimum requirements within the Resources procedure’. However there is a lack of clear guidance over the treatment of VAT (ie that it can be recovered from HMRC by the Council but must be adequately documented and evidenced on the claim form). Testing identified instances where VAT had not been recovered despite a VAT receipt being attached in the following directorates: Education, Communities and Economy (15 instances totalling a VAT value of £430), Resources (5 instances totalling a VAT value of £16) and Health and Social Care (7 instances totalling a VAT value of £49). In some of these instances, the invoices should have been processed through the Accounts Payable system where the VAT element would be automatically identified and recovered (eg £269 VAT was not recovered for the purchase of a greenhouse). Testing also highlighted instances where VAT had been claimed in the absence of a VAT receipt which could result in sanctions from HMRC (£81 in VAT was claimed from shop receipts);
- the procedures / Financial Directives do not stipulate what the maximum allowable petty cash limit is. Claims made from the petty cash imprest account should be small in value but it was found that some areas have high petty cash imprest account levels (the highest was £4,000 for all Directorates). Purchasing Cards will reduce the requirement for high levels of floats to be maintained;
- the Education, Communities and Economy policy guideline refers to a part of the Financial Regulations (8.4.2) which reports to relate to certification of vouchers. This reference does not however exist within the Council’s Financial Directives; and
- in three areas (within the Resources Directorate), payment was given in advance of expenditure (payment for utility cards, payment for staff travel and payment for food shopping). There is a lack of guidance in either policy on when cash advances are allowable, the process to be followed and the requirement for a receipt to be provided once the item has been purchased.

4.4. Security of Cash and Goods

The following issues over the security of petty cash and purchase of goods were identified during the review:

- for two of the areas sampled, thefts from the petty cash floats occurred in 2013 and 2014 (£500 and £743). Disciplinary investigations were undertaken and improvements over controls within these areas have been made;
- in some areas (Health and Social Care and Resources Directorates) we identified cash that had been left unattended when other employees or clients were in the same room. Also some areas had not securely stored the keys (to access cash) during office hours (all Directorates);
- employees have used their personal credit or debit cards to purchase items from shops or online (totalling £2,250) and have claimed for the expenditure through the petty cash float. It was also noted that some goods such as stationery and digital devices were delivered to the employee’s home address (Education, Communities and Economy and Resources Directorate);

- there was a lack of segregation of duties in one area as the same employee raised an order to purchase goods, received these goods and administered the petty cash payment (Education, Communities and Economy Directorate); and
- the audit observed that access to the safe (where cash is kept) was not always undertaken by two employees which increases the risk of fraud and theft (all Directorates).

4.5 Bank Accounts and Reconciliations

The following issues relating to petty cash bank accounts and reconciliations were noted:

- a reconciliation of the imprest account is required to be undertaken on a weekly (Resources procedure) or fortnightly (Education, Communities and Economy policy guideline) basis. Testing identified that only two areas undertake reconciliations on a weekly basis (Education, Communities and Economy and Resources Directorates), one area undertook reconciliations on a fortnightly basis (Education, Communities and Economy Directorate) and the remaining areas only undertook reconciliations when a top up was required. It was noted that in two areas the reconciliations were not always countersigned (Health and Social Care and Resources Directorates);
- one area in Education, Communities and Economy Directorate operates three different floats for different services. These are recorded on the same petty cash top up claim form but there was a lack of audit trail to verify the 'cash in hand' balance in each float separately as these are combined on the form;
- in two areas (Education, Communities and Economy and Resources Directorate) small variances were noted between the 'cash in hand' balance carried forward to the next period on the petty cash top up claims to the 'cash in hand' balance brought forward. This combined with the lack of verification of 'cash in hand' to the physical cash / bank statements could result in the theft of petty cash monies which would not be identified;
- the 'cash in hand balance' did not reconcile to the balance held in the bank account for one area (Health and Social Care Directorate) as other funds are paid into the bank account which is intended only for petty cash. Arrangements are currently being made to transfer the other funds to a separate bank account which will enable petty cash funds to be accounted for separately;
- the current policy states that bank statements are required to be reconciled to the petty cash records at least once a month. We found that they were only reconciled when the petty cash was due to be replenished in 5 areas (all Directorates) but this was not independently verified or reconciled. The remaining 6 areas reviewed did not operate a bank account (Health and Social Care and Resources Directorates);
- Two areas incurred bank charges due to a reimbursement being credited to the wrong account and cheques being written from the petty cash imprest account instead of the appropriate fund account; and
- in one area (Education, Communities and Economy Directorate) bank statements were still being addressed to an individual who had left the Council in August 2012.

4.6 Petty Cash Vouchers

A petty cash voucher is used to document a disbursement and details the date of claim, amount disbursed, name of person receiving the money, general ledger account code to be charged and the initials of the person disbursing the money from the petty cash fund. Receipts or other documentation supporting the claim are attached to the petty cash voucher and this is currently retained within the service. The following issues were noted in relation to this:

- there is a lack of guidance on the use of vouchers and there is no Council standard voucher resulting in each area using their own version and one area not using any vouchers at all (Health and Social Care Directorate). This has resulted in some areas (all Directorates) not obtaining appropriate authorisation for claims (as this was not stipulated on the voucher) and a lack of a suitable audit trail for the disbursement of petty cash payments;
- a voucher number was missing in one area (Resources Directorate). It was reported that either a manual error occurred when the petty cash vouchers were generated or it was cancelled but this has not been documented to ensure an audit trail exists;
- the Resources procedure states that the general ledger code should be inserted on all the vouchers. It was found that for nine of the areas tested (all Directorates) none of the vouchers had a general ledger code increasing the risk that expenditure may be recorded against an incorrect code. Furthermore, some areas were not using the correct finance codes on the top up claim form (all Directorates) resulting in expenditure going to incorrect codes; and
- vouchers should be authorised and signed by the claimant confirming that the money has been received. This reduces the risk of duplicate claims being paid. The audit found that vouchers had not always been authorised or signed by the claimant (all Directorates).

4.7 Receipts

The current procedures state that receipts should be provided for all payments made from the petty cash account and these should include VAT details where appropriate. The following issues were noted:

- three areas had missing receipts (22 in total) to the value of £666 from the petty cash claims (all Directorates);
- a handwritten receipt to the value of £80 for the provision of catering for an in-service day (Education, Communities and Economy Directorate) was accepted but there was a lack of adequate alternative support making it difficult to verify the validity of the items claimed; and
- the amounts that were claimed on the receipts did not always reconcile to the total amount recorded on the voucher or top up claim form (Education, Communities and Economy Directorate and Health and Social Care Directorates). For example, receipts attached to a claim totalled £46 but a claim was made for £47 and a receipt totalled £206 but £216 was paid.

4.8 Recording of income

The Resources procedure states that areas should ‘refrain from paying any Council income (other than the initial imprest advance and top-ups) into the petty cash bank account. All other official income must be paid to Head Quarters through standard methods laid down by Resources Regulations. Testing revealed that one area (Health and Social Care) was topping up the petty cash imprest with income gathered from other sources.

4.9 Risk Register

Risk registers are maintained by all operational areas across the Council to flag risk, record controls and highlight where the Council's risk appetite is exceeded. Internal Audit testing identified that the risks associated with the security and handling of cash are not recorded on the service risk registers. Correct use of risk registers may have enabled the risks associated with Petty Cash to be identified and corrective action taken.

5.0 Recommendations

No	Recommendation	Priority	Manager	Target Date
1	<p>Staff should be reminded of the controls over petty cash and that these should be followed for all expenditure claimed from petty cash. Areas where controls need to be reinforced are:</p> <ul style="list-style-type: none"> • the types of expenditure that can be claimed through petty cash. All staff subsistence / travelling expenses, payments for additional hours worked and payments to casual workers must be paid via the payroll system and that all payments to contractors / suppliers should be processed via the Accounts Payable system. Staff can also arrange for travel (eg train tickets) to be booked and paid for via the Council's travel company supplier; • the petty cash system should not be used for vehicle fuel payments. Staff should claim for mileage using the expenses claim form and paid via the payroll system and Council standby vehicles should be fuelled in accordance with normal practice. Agency workers should claim for mileage via the Accounts Payable system; • increased scrutiny and monitoring of expenditure (including undertaking unannounced 	High	Directors	30/04/15

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No	Recommendation	Priority	Manager	Target Date
	<p>checks) paid through the petty cash system and greater challenge over claims for petty cash should be undertaken by budget holders;</p> <ul style="list-style-type: none"> • petty cash reconciliations and checking of 'cash in hand' balances should be undertaken on a regular basis (Council wide) and this should be documented and independently checked. Any discrepancies should be immediately reported to line management; • petty cash payments should not be paid by imprest holders unless receipts and supporting documentation are provided; • authorisers of petty cash disbursements should ensure that the amount claimed always matches the receipt and supporting documentation; • bank statements should be independently reconciled to the petty cash records at least once a month for areas that operate a petty cash bank account; • the petty cash imprest account should be used for petty cash disbursements only and should not be used for any other purposes; • the petty cash system should not be used to internally reimburse other internal Council service areas; • cash should not be left unattended and should be held securely at all times. Keys to the safe should also be held securely at all times; • income should not be allocated to the petty cash float / bank account but should be banked and accounted for separately; • bank statements should be addressed to the correct officer responsible for the petty cash imprest account; and • a review of the number, location and purpose of petty cash imprest accounts should be undertaken by each Director. 			
2	<p>The Petty Cash procedure should be updated, consolidated into one Council-wide procedure, and provided to all staff involved in the processing of petty cash claims. Advice and guidance on the new procedure should also be available to all relevant staff. The procedure should be updated to include:</p> <ul style="list-style-type: none"> • clear guidance on the treatment on VAT and that claims made must clearly split the VAT element. It should highlight that VAT can only be recovered when a VAT invoice is 	High	Senior Accountant Projects & Treasury	30/04/15

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No	Recommendation	Priority	Manager	Target Date
	<p>received and that staff should always be requested to provide such a receipt where the expenditure is subject to VAT. The procedures should include the calculation / rates used to recover VAT;</p> <ul style="list-style-type: none"> • clear guidance over allowable purchases such as the purchase of food and drinks for meetings (internal and external) and the reimbursement of staff expenses; • details on how to treat cash advances; • what the maximum allowable petty cash limit is; • access to Council safes should always be undertaken by at least two employees; and • for areas with more than one petty cash float, these should be recorded and reconciled separately and the 'cash in hand' balances should be verified independently. 			
3	The VAT errors highlighted in the review should be rectified and any tax liability on staff payments should be calculated and paid.	High	Directors	30/04/15
4	Appropriate facilities such as Purchasing Cards should be rolled out throughout the Council to facilitate the purchase of goods, discourage employees from having to use their personal debit or credit cards and ensure that goods are delivered directly to the Council.	Medium	Business Applications Manager / Procurement Manager	31/10/15
5	As part of the Purchase to Pay Project, electronic petty cash forms and the scanning and attachment of receipts / vouchers to claims should be implemented across the Council (for areas with a petty cash imprest account).	Medium	Business Applications Manager / Procurement Manager	31/10/15
6	A review of all petty cash imprest levels should be undertaken to ensure they are at the correct amount for the needs of the service and comply with the Council's insurance policy.	Medium	Directors	30/04/15
7	A review of the petty cash imprest holders list should be undertaken on a regular basis (eg when there has been a change in the Council's management structure) to ensure it remains accurate and up to date.	Medium	Senior Accountant Projects &	30/04/15

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No	Recommendation	Priority	Manager	Target Date
			Treasury	
8	The Petty Cash top-up claim form should be updated to include a declaration stating that only valid expenditure has been claimed.	Medium	Senior Accountant Projects & Treasury	30/04/15
9	The petty cash top-up claims forms should only be approved by those listed on the authorised signatory system. The authorised signatory system needs to be updated to reflect which managers are authorised to approve petty cash disbursements and the signatories on petty cash top up claims forms should be checked against the authorised signatories list before processing payments.	Medium	Business Applications Manager / Heads of Service	30/04/15
10	Improvements over vouchers should be implemented so that: a standard Council-wide voucher is used, general ledger codes used on all vouchers, all vouchers are authorised and cancelled vouchers are marked as 'void' and retained for audit purposes.	Medium	Senior Accountant Projects & Treasury	30/04/15
11	All services that operate a petty cash imprest account should include a risk of theft of cash and the key controls they have in place to reduce this risk within their risk register.	Medium	Risk, Safety, Health and Contingencies Manager	30/04/15

Definitions of Ratings

Audit Opinion

Level of Control	Reason for the level of Assurance given
Excellent	The control framework is of a high standard with no unacceptable risks identified.
Good	The control framework is of a good standard with only minor elements of risk identified which are either accepted or being dealt with by management.
Average	The control framework is of average standard and improvements are possible. These improvements are not currently being dealt with by management and have not been accepted to be within the risk appetite of the Council.
Weak	The control framework is weak and requires improvement as significant issues exist with the adequacy and effectiveness of the Internal Control arrangements. These control deficiencies could result in financial loss or reputational damage to the Council.
Poor	The control framework is inadequate or ineffective and the issues identified require immediate attention to prevent financial loss or reputational damage to the Council.

Recommendation Rating

Priority	Risk Definition
High	Legal / regulatory issues would normally be regarded as high risks. Strategic risks would normally be regarded as high risks. Financial impact - £50K plus and / or national press interest
Medium	£5K - £49K and / or local press interest
Low	Under £5K and / or no press interest.

Distribution

- Members of the Audit Committee
- Kenneth Lawrie, Chief Executive
- John Blair, Director, Resources
- Eibhlin McHugh, Director, Health and Social Care
- Mary Smith, Director, Education, Communities and Economy
- Gary Fairley, Head of Finance and Integrated Service Support
- Kevin Anderson, Head of Customer and Housing Services
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- Gary Thomson, Senior Accountant Projects and Treasury
- Jacqui Dougall, Integrated Service Support Manager
- Mike O’Rourke, Business Applications Manager
- Iain Johnston, Procurement Manager
- Chris Lawson, Risk, Safety, Health & Contingencies Manager
- Grant Thornton, External Auditors

Audit Team

Author: Amber Ahmed
Reviewer: Elaine Greaves

**TERMS OF REFERENCE:
Petty Cash**

Audit Objective

The objective of the audit is to form an opinion on:

- the adequacy of the process and controls established at a Council level over the operation of petty cash imprest accounts; and
- the level of compliance against the established processes and controls for a sample of petty cash imprest accounts.

Scope of Audit

The review will focus on the adequacy of the internal controls established to limit the risks associated with the operation of a petty cash imprest account.

This will include an examination of the following controls:

- the adequacy of policies and procedures designed to establish the rules by which the petty cash imprest account should be managed;
- the physical security of the cash float itself;
- segregation of duties; and
- authorisation, accounting, and record keeping.

A sample of 11 petty cash imprest accounts will be selected to test compliance against the established policies and procedures.

Any issues identified out with the direct scope of this Audit may also be reported within this review by Internal Audit.

Potential Risks

The main risks associated with the Petty Cash system are as follows:

- misappropriation of cash from the petty cash imprest account;
- fraudulent requests for payment from cash floats;

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- financial loss and reputational damage through using the petty cash float for inappropriate payments (eg salary costs); and
- financial loss and reputational damage through failing to adequately account for petty cash.

Audit Approach

The audit approach consists of:

- fact finding interviews with relevant employees;
- review of appropriate documentation which includes any risk reviews that have been conducted and risk registers that are in place;
- interrogation of any relevant systems and sample testing as required;
- closure meeting with local management to discuss the findings and any recommendations from the review;
- draft and final reporting; and
- presentation of the final report to the Audit Committee.

Timescales & Reporting

The audit will commence in early June 2014 and is expected to be completed by the end of June 2014 and be reported to the next available Audit Committee.

Any issues arising will be communicated directly to local management as they are identified. A formal audit report will be produced summarising the findings and any recommendations identified during the review.

Information Requirements

Access to all relevant systems, documentation and employees.