

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2012
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2012 – Customer Access Points and Service Centre
REPORT NUMBER	IA/AC2012
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Customer Access Points and Service Centre.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Customer Access Points and Service Centre.

3.2 Management Comments

- 3.2.1 This audit has been useful in providing reassurance that there is good practice in place with regards to cash collection, whilst identifying where improvements can be made. The Chief Officer – Customer Experience is fully supportive of the recommendations and has already taken action to implement many of them.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

9.1 Internal Audit report AC2012 – Customer Access Points and Service Centre.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Customer

Customer Access Points and Service Centre

Issued to:

Andy MacDonald, Director of Customer Services
Jacqui McKenzie, Chief Officer – Customer Experience
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
Allan MacCreadie, Customer Service Operations Manager
External Audit

EXECUTIVE SUMMARY

The Council has three Customer Access Points (CAPs): Mastrick, Kincorth, and Woodside and a Customer Service Centre (CSC) at Marischal College. Each processes income from a number of sources including Council Tax, Business Rates, Housing Rents, and sundry debtors, using the Civica Icon Cash Receipting System. During 2018/19, £25.7 million was processed through the CAPs and CSC, relating to approximately 154,000 transactions.

The objective of this audit was to provide assurance over procedures in operation relating to a sample of cash collection locations. This included consideration of whether all income sources and income handling procedures are adequately controlled and completed. In general, this was found to be the case, with sample income collected at each of the offices visited as per the cash receipting system agreeing to the financial ledger and Council's bank account, whilst cash up differences since April 2019 have been minor. Recommendations have been agreed with the Service to improve cash collection procedures and controls as detailed below.

The Customer Access Points and Customer Service Centre are equipped with panic alarms in the event of staff being threatened by a member of the public. A scheduled fortnightly panic alarm test is carried out at the Marischal College CSC, however the CAPs do not have a regular schedule for testing. The Service has agreed to establish a testing schedule for all CAPs to address this.

The Marischal College safe is used by other Council Functions to hold prepared bankings for uplift by the cash collection contractor. In addition, Marischal College CSC staff are required to transfer cash from the till to the safe when it reaches £300, for security purposes. No record is maintained of these transfers other than CCTV footage held for 28 days. The Service has established a transfer schedule to improve the audit trail for cash transfers.

Each of the safes in the CAPs / CSC are different and have different insurance ratings. This rating indicates the level of security and the maximum amount of cash that an insurance company will cover if stored in the safe overnight. An analysis of income collected showed that insurance limits for Woodside and Kincorth CAPs were regularly exceeded while the Customer Service Centre at Marischal College safe limit had been exceeded also but less frequently. The Service has agreed to carry out a risk assessment of the safes in conjunction with the Council's Insurance Officer.

The 2017 Money Laundering Regulations require relevant organisations receiving cash to conduct a money laundering and terrorist financing risk assessment, the outcome of which will affect the need for "customer due diligence" checks, to verify the identity of customers. The Council's money laundering policy reflects these requirements and requires Clusters to carry out money laundering risk assessments and put in place appropriate measures, such as customer due diligence checks, where required. No such risk assessments had been carried out and Governance has agreed to ensure that each Cluster completes them.

The Council's Cash handling procedure and on-line training in relation to money laundering had not been updated to reflect the requirements of the money laundering policy, at the time of the audit. The cash handling procedure has since been updated and Governance has agreed to update the online course.

1. INTRODUCTION

- 1.1 The Council has three Customer Access Points (CAPs) at Mastrick, Kincorth, and Woodside, and a Customer Service Centre at Marischal College (Customer Points). Each processes income from a number of sources including Council Tax, Business Rates, Housing Rents, and sundry debtors, using the Civica Icon Cash Receipting System.
- 1.2 During 2018/19, £25.7 million was processed through the CAPs relating to approximately 154,000 transactions; a full breakdown can be found in Appendix 2. Within the current financial year to 30 September 2019, £12.1 million, has been collected relating to some 74,000 transactions.
- 1.3 The objective of this audit was to provide assurance over procedures in operation relating to a sample of cash collection locations. This included consideration of whether all income sources, income handling procedures, and inventories are adequately controlled and completed. During the audit, each of the CAPs were visited.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Jacqui McKenzie, Chief Officer – Customer Experience and Allan MacCreadie, Customer Service Operations Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff; important in the event of an experienced employee being absent or leaving.
- 2.1.2 Customer Access Points and the Customer Service Centre have basic cash handling and security procedures along with a clear and comprehensive user manual for the cash receipting system. These procedures are available electronically on a shared network drive. The administrative procedures do not cover the complete processes followed in each CAP / the CSC, e.g. refunds, recording corrections, procedures in event of a robbery, procedures in event of an evacuation. To ensure staff have accessible procedures covering the expected processes within CAPs / the CSC the current procedures should be reviewed and enhanced.

Recommendation

The procedures manual covering all CAPs / the CSC should be reviewed and enhanced to cover all processes.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.2 Office Security

- 2.2.1 The security arrangements at each of the offices visited was reviewed to establish the level of control in operation over access to the offices, safes and key holding arrangements, alarm systems, and cash handling procedures.
- 2.2.2 The risk of harm to Customer Service Advisors has been assessed for all CAPs and the CSC. Appropriate controls are identified to mitigate this risk including: the use of panic alarms; making telephones readily accessible to staff; "buddying" for staff with known difficult customers; use of kiosks for most cash payments; and the installation of CAP / CSC desks with sufficient width between staff and members of public.
- 2.2.3 A scheduled fortnightly alarm test is carried out at the Marischal College CSC. However, the CAPs do not have a regular schedule in place for testing. Regular testing provides assurance that the alarms will work when required.

Recommendation

Panic alarms should be tested on a specific schedule, preferably at least monthly, and included in the procedures.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.2.4 During each of the visits the Auditor was requested to show identification before being allowed into the cash handling area.

2.3 Office Safes

2.3.1 All safes are out of the view of the general public in a separate secured location. None of the safes have a drop down compartment accessible by external cash collection contractor staff only. As a result, income prepared for banking is accessible by all staff with access to the safe.

2.3.2 Each safe is key operated and each has a spare key. The keys are held on the premises in a locked key cabinet in the same room as the safe. They remain there overnight while the cabinet key is held elsewhere in the building.

2.3.3 With the exception of the Marischal College safe, the only monies being held were the income awaiting banking and the change floats. Marischal also holds prepared bankings which have been submitted by other Council Functions for uplift by the cash collection contractor. While these monies are not signed for by Customer staff when placed in the safe, the "deposit" is recorded on the office's CCTV footage. However, images from this should be overwritten after 28 days meaning that any missing income would have to be identified within this period for evidence to be available of whether a "deposit" was made or not. There is a risk that this may not be the case resulting in a loss of audit trail.

Recommendation

The Service should ensure that an adequate audit trail is in place relating to all deposits in the safe.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.3.4 On uplift, the cash collection contractor scans the deposit bags and provides an electronic receipt for the totals recorded on the bag. This is signed by the contractor and CAPs / CSC staff before being filed by the CAPs / CSC with the Icon reports relating to that banking. A review of receipts for uplifts in August 2019 confirmed that this was happening.

2.4 Insurance

2.4.1 Each of the safes in the offices are different and have different insurance ratings. This rating indicates the level of security and the maximum amount of cash that an insurance company will cover if stored in the safe overnight. The rating is determined by several factors including: resistance to being moved; thickness and strength of the walls and doors; the complexity of the lock and bolt mechanism; and, the general build quality.

2.4.2 The Council's current insurance limit for cash is £200,000 in a locked safe and in the custody or supervision of employees. However, this is reduced based on the rating of the safe. Within the computerised cash kiosks (explained further in section 2.5.1) insurance cover is £15,000 during opening hours and £5,000 overnight.

2.4.3 The Woodside and Kincorth safes are rated at £6,000 while Marischal and Mastrick are rated £35,000. An analysis of income collected in the period April to September 2019 was carried out for all offices, and it was confirmed that insurance limits for Woodside and Kincorth were regularly exceeded while Marischal had been exceeded on three occasions.

Recommendation

A risk assessment of the safes should be carried out in conjunction with the Council's Insurance Officer.

Service Response / Action

Agreed. A meeting has been planned with the Council's Insurance Officer to discuss current insurance requirements and complete a risk assessment.

Implementation Date

March 2020.

Responsible Officer

Customer Service
Operations Manager

Grading

Significant within audited
area

2.5 Cash Received Income

2.5.1 CAPs / the CSC have two ways of accepting income: automated kiosks or Customer Service Advisors (CSAs). A breakdown of how each office processes their income is as follows:

Office	Kiosks	CSAs (max)	Accepted by CSA
Marischal	2	4	Cash & cheque
Kincorth	1	2	Cheque
Mastrick	2	2	Cheque
Woodside	0	2	Cash, cheque & card

2.5.2 The kiosks are emptied by CAPs / CSC staff and balanced to a cash receipting system report of income for the day. The value is recorded on a bank pay in slip and placed in the contractor banking bags and sealed. The sealed bags are then placed in the office safe to await uplift by the contractor. Income paid directly to the CSAs is balanced to an Icon end of day report and then processed for banking in the same way, but separately from the kiosks.

2.5.3 During audit visits the cashing up process was observed from emptying kiosks and cash drawers through to completing the cash deposit process. In each occasion the monies

per the Icon cash receipting system or kiosk system balanced to the monies being banked.

- 2.5.4 Income collected for the week ending 30 August 2019 at each of the offices visited agreed to cash receipting system reports, kiosk end of day reports, bank pay in slips, bank account credits, and the financial ledger.
- 2.5.5 During the period April to September 2019 there were 5 cash up errors totalling £338 (where cash collected did not agree to system totals) across the four collection offices, relating to both kiosks and CSA. No particular pattern relating to staff was identified.
- 2.5.6 Procedures require that any cash difference is reported to a tier 3 officer / team leader before reporting the cash up balance, in order to investigate how the discrepancy occurred. Discrepancies over £50 should also be reported to the Customer Services Operations Manager for further investigation. Of the five differences, two exceeded £50 and related to known Icon system issues.
- 2.5.7 Procedures require that when the cash in the till reaches £300 it should be transferred into the safe. No record of these transfers is maintained, but the safe is monitored by CCTV. There is therefore no way to review whether this procedure is being complied with. Recording transfer details, and requiring these to be authorised, would help ensure cash held in drawers is limited in line with procedures. The Icon system also provides a partial cash up process for such transfers, but this is currently not being used.

Recommendation

The Service area should introduce a cash drawer to safe cash transfer record or make use of the Icon partial cash up process.

Service Response / Action

Agreed

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Important within audited
area

2.6 Refunds / Corrections

- 2.6.1 There are occasions where a Customer Service Advisor may process a payment inaccurately or a customer may change their mind after the transaction has been finalised, (eg paid into CTax instead of rent, paid by cash then changed mind and want to pay by card). In such instances a reversal will be processed and the correct transaction input. The correction will therefore show as a payment going out of the system against the method of payment being corrected, i.e. cash, cheque, credit or debit card. Refunds, where a repayment to the customer will not correspond directly to income being collected at the same time, is recorded on Icon in the same way as a correction. It is therefore reliant on the CSA to record a suitable narrative against both corrections and refunds to allow reasons for the transaction to be reviewed subsequently.
- 2.6.2 In the period 1 April to 30 September 2019, eighty seven different members of staff processed 1,460 transactions totalling £206,828 as correction / refunds, split over the following repayment methods:

	Transactions	Value
Cash	58	£6,271.00
Cheque	112	£106,032.82
Credit Card	360	£29,352.39
Debit Card	<u>930</u>	<u>£65,171.97</u>

Recommendation

- a) The Service should consider pre-set narratives to differentiate refunds from corrections and customer CSA errors.
- b) The Service should extract and analyse payments going out of the Icon system on a regular basis

Service Response / Action

- a) Agreed. An agreed specific narrative will now be distributed amongst cash handling staff.
- b) Agreed. Icon reports have been created for quarterly management analysis.

Implementation Date

- a) Implemented
- b) Implemented

Responsible Officer

- Customer Service
- Operations Manager

Grading

- Important within audited area

2.6.4

One set of refunds relating to laundry card balances is only processed at Woodside (30 transactions totalling £842.50). This appears to be a localised agreement with Housing as all other areas require such cards to be refunded via Housing. It was confirmed with Housing that there is no back office system that retains details of the value held on the cards issued to tenants. There is, therefore, no way to confirm the value refunded against the actual balance held on the card. If such refunds are to continue, then a procedure needs to be put in place to substantiate the balance on the card matches the refund issued.

Recommendation

The Service should introduce a process that confirms the value of such refunds matches the balances on the card.

Service Response / Action

Agreed. The local agreement is no longer in use and all refunds will be processed in line with other CAPs / the CSC via accounts payable.

Implementation Date

Implemented

Responsible Officer

Customer Service
Operations Manager

Grading

Important within audited area

2.7 Cash Floats

2.7.1 Tier 3 and Team Leaders carry out regular random checks on cash floats at each of the offices, this ensures a good level of internal checking to ensure that floats are not being misused in any way. During site visits, cash floats were checked and compared with the relevant balance sheet codes. All the floats being held matched the financial ledger.

2.8 Money Laundering Regulations

2.8.1 Although local authorities are not directly covered by the requirements of the Proceeds of Crime Act 2002 or the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the Regulations), the Chartered Institute of Public Finance and Accountancy (CIPFA) advises that local authorities should comply with the underlying spirit of the legislation and regulations. The legislation and regulations are in place to help ensure that proceeds from crime are not passed through legitimate organisations' cash collection systems as a means of "laundering" those monies to prevent

detection of their origins. The regulations require relevant organisations receiving cash to conduct a money laundering and terrorist financing risk assessment, the outcome of which will affect the need for “customer due diligence” (CDD) checks, to verify the identity of customers.

- 2.8.2 The Council approved its Anti-Money Laundering Policy in June 2019. The policy is intended to ensure that the Council and its employees comply with Anti-Money Laundering legislation and that appropriate risk-based action is taken to prevent, wherever possible, the Council from being used as a vehicle to launder money. The Policy requires that *“Individual Clusters must assess the potential for their service delivery being used as a potential money laundering vehicle and include in their risk register as appropriate...In the event that the Cluster identifies that there is a substantial risk, then the Chief Officer must put in place suitable processes and systems for ensuring that controls, including customer due diligence, are in place to identify money laundering activities.”* At the time of the audit this had yet to be completed.

<u>Recommendation</u>		
Governance should ensure that each Cluster assesses the potential for their service delivery being used as a potential money laundering vehicle.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2020	Assurance Manager and Corporate Investigation Lead	Significant within audited area

- 2.8.3 The Policy states *“there is no single flag which would identify money laundering, however, the following may, in some cases, be an indication of money laundering activity”*. The first of these indicators is cash payments over £5,000. Testing of all cash transactions processed through the Icon system between 1 April and 30 September 2019 found that only one payment exceeded this amount (business rates - £10,210), processed on the 27 September 2019 at Marischal College. As the current procedures do not include any requirements relating to due diligence, no identity checks were carried out.

- 2.8.4 All CAPs / CSC staff are required to complete the OIL course Anti-Money Laundering – A guide for frontline staff. A review of the course found that although generally accurate it was now out of date based on the current legislation and also the revised Council policy.

<u>Recommendation</u>		
a) Procedures in relation to large cash payments should be formalised.		
b) The OIL course should be reviewed and updated as appropriate.		
<u>Service Response / Action</u>		
a) Agreed.		
b) Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
a) Implemented	a) Customer Service Operations Manager	Significant within audited area
b) March 2020	b) Solicitor	

2.9 Inventories

- 2.9.1 Financial Regulations require that each Chief Officer maintain, on a continuous basis, an inventory of equipment, furniture, information technology hardware and software, etc, however, CAPs have not been maintaining such a record.
- 2.9.2 Finance intends to revise Financial Regulations so that there will only be two inventories held by the Council: one for Information Technology (hardware and software) to be maintained by the Chief Officer – Digital and Technology, and one for equipment, furniture, fixtures and fittings to be maintained by the Chief Officer – Corporate Landlord. A recommendation is included for tracking purposes.

Recommendation

Inventories should be completed and maintained.

Service Response / Action

- a) IT inventory – Agreed. The IT (hardware and software) inventory is currently maintained within an IT database and Service Now. A process is currently underway to transfer all IT assets into Service Now and to use network updates to automate updates of IT asset location and user for the purposes of ensuring inventory data remains current.
- b) The Chief Officer – Finance in consultation with the Chief Officer – Corporate Landlord will review the inventory arrangements outlined within the Financial Regulations and design a new process for the management of inventories.

Implementation Date

a) December 2020 (update Service Now)

b) June 2020

Responsible Officer

b) Digital Operations Manager

b) Chief Officers – Finance and Corporate Landlord.

Grading

Important within audited area

AUDITORS: D Hughes
A Johnston
G Flood

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

Appendix 2 – Analysis of Transactions in Financial year 2018/19

	KIOSKS								CSA (including Woodside) #		Total	Total
	Marischal		Kincorth		Mastrick		Tillydrone *		No	£	No	£
Method of Payment	No	£	No	£	No	£	No	£	No	£	No	£
Refunds									116	-253,152	116	-253,152
Cash	18,982	1,455,639	5,285	446,558	20,434	1,930,404	1,649	121,390	19,518	1,972,647	65,868	5,926,638
Credit Card	2,472	197,255	352	20,537	496	41,707	100	6,318	2,887	24,091	6,307	289,908
cheque									20,312	11,271,268	20,312	11,271,268
Debit Card	17,686	2,515,574	3,885	594,153	8,186	1,308,935	1,351	213,330	30,322	3,791,420	61,430	8,423,412
Postal Order									15	747	15	747
Grand Total	39,140	4,168,468	9,522	1,061,248	29,116	3,281,046	3,100	341,038	73,170	16,807,021	154,048	25,658,821

* The Tillydrone kiosk was relocated to Mastrick in October 2018 resulting in Mastrick having two kiosks from that point.

Customer Service Advisors work across all CAPs.