

## Internal Audit Final Report

### Health and Social Care

#### Review of the control and usage of imprests and other cash in Health and Social Care Establishments

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	6
Minor issues that are not critical but managers should address.	Low	2

#### Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

#### **Distribution:**

Executive Chief Officer, Health and Social Care  
 Executive Chief Officer, Communities and Place  
 Head of Service, Children Young People and Families, Health and Social Care  
 Business Manager, Health and Social Care  
 Resource Manager, Residential Care, Health and Social Care  
 Principal Officer, Criminal Justice Services, Health and Social Care  
 Head of Corporate Finance and Commercialism, Resources and Finance  
 Head of Revenues and Customer Services, Communities and Place  
 Service Finance Manager, Corporate Finance, Resources and Finance

**Report Ref:** HRF15/002.bf  
**Draft Date:** 19/10/23  
**Final Date:** 16/11/23

## 1. Introduction

- 1.1 The Highland Council accounts for Petty Cash by way of an imprest system and provides cash floats in circumstances considered appropriate by the Section 95 Officer.
- 1.2 The objectives of the audit were to ensure that imprests used by Health and Social Care were being used in accordance with Council policies and procedures, and are only used when necessary. The Health and Social Care (H&SC) Service has 48 imprests. Claims totalled £187,712 in 2022/23. This was 73% of total Council imprest spend. All imprests were examined, 27 via site visits and the remainder via email enquiries.
- 1.3 H&SC teams use imprests in different ways; residential sites use the cash to support young people with day to day living costs. Family Teams provide ad-hoc welfare support (food, electricity, toiletries or documents such as birth certificates), Criminal Justice teams reimburse clients for travel and work activity, and other teams undertake day time client support.

## 2. Main Findings

- 2.1 *Staff are aware of imprest policies and procedures and comply with their requirements, and all cash handled by the Service is held and administered securely.*

This objective was partially achieved. Overall imprests were held securely, spend was appropriate to service delivery and claims were correctly recorded on Integra. However, there were areas of non-compliance with the Financial Regulations which control the use of imprests.

All imprests have an authorised amount, an amount agreed between the imprest holder and Finance specifying the maximum cash value that can be held or reclaimed at any one time. Annually imprest holders return an imprest certificate to Finance confirming they hold the authorised amount. 8 imprests were found to hold an amount different to the recorded authorised amount on the certificates (the differences ranged from £40 to £1,000). Imprest

holders had returned certificates without stating these differences. Through discussion with 3 imprest holders there was a lack of understanding of how to request / process changes to imprest authorised amounts. (See Action Plan M1).

Section 25 of the Financial Regulations requires that regular reconciliations of imprests are performed. Imprests should at all times reconcile to their authorised amount (i.e. cash in hand, receipts for claims not yet submitted and outstanding cheques). For 17 of the 27 visited, the imprests did not reconcile to their authorised amount. 9 showed a surplus (5 of these were over £25), 8 showed a deficit (6 for over £25). (See Action Plan M2).

There was scope to improve the administration and record keeping surrounding the use of imprests (see Action Plan M3 and M4), specifically:

- We noted examples of where the administration of imprests could be improved. A review of a sample of claims showed that receipts were not held for all purchases. Examples were noted of money being signed out with vague notes making it unclear why the money was taken out. There was evidence of imprests being used to fund expenditure where a purchase order or staff expense claim was required. For 2 imprests physical security controls required improvement (these 2 were addressed during the audit).
- A variety of handwritten sheets, ledgers and spreadsheets record expenditure all in different formats with different amounts of information. (See action plan M4). 13 of the 48 imprests did not use the official claim pad for replenishment claims. This requires a reconciliation to be carried out when a claim is made.
- The Criminal Justice Service had set up sub tins for its imprests, each containing £50 for managers to access cash during the COVID lockdowns when administrative staff were not regularly in the office. We found examples of inconsistencies in how these were recorded; for 1 imprest the £50 formed part of the authorised amount, at 2 other sites they constituted additional amounts. (See Action Plan L1)

### Additional monies

The Financial Regulations (Appendix 9 Instruction note – receipt of income) states that the cash value that may be retained in an office overnight should not exceed £1,000.

Residential sites request additional monies via cheques for rounded amounts to cover young people's holiday expenditure, clothing and birthday/Christmas presents. Recording of these varies between sites. At 1 site there was insufficient paperwork for these and despite enquiries not all amounts were fully accounted for. Some amounts issued were not spent in full and either held for young people at sites, or (at 2 sites) some of this money was returned to the imprests. This makes reconciliations difficult and led to credit entries in the imprest ledger for which there was no procedure in place.

Residential sites can receive money for young people from their families and there was no standard recording for this, the quality and detail of record keeping varied, 1 site had not recorded all the money taken in and 2 had an inadequate break down of the money held. One site held over £1,000 in cash (the imprest and cash held for young people) contrary to Financial Regulations. (See Action Plan M5).

### 2.2 *Imprests and other cash are only used when necessary and the sums held are appropriate, with consideration given to possible alternative systems.*

This objective was partially achieved. In the H&SC Service imprests were used as the primary method to obtain and provide certain goods and services.

Ensuring there was enough cash available for sites was an ongoing problem. The bank used by the Council only has 2 branches in the Highlands (1 is scheduled to close this year). Imprest holders have 2 current options to cash cheques; travel to 1 of these branches or set up open credit agreements with other banks. These do not have to be honoured. These banks may be subject

to closure too, at least 1 branch where an agreement was in place is due to close this year.

Sites run the risk of running out of cash due to delays with cheques arriving or staff being absent (at 36 sites only 1 person could cash cheques). This was problematic at residential sites where spending volume and frequency does not fit into the weekly cheque processing. Staff had resorted to irregular and inefficient practices to address this:

- Borrowing between different imprests
- Borrowing between different cash tins within individual sites (including the money held for young people) creating a complex administrative process
- Staff loaning their own money to the petty cash tin
- Staff using their own money to pay for items when cheques did not arrive on time (in one case £1,000 was spent to pay for costs supporting a holiday for young people).

The previous approach had been to increase the imprest amount, but this increases the risk and materiality of potential cash loss and does not address the underlying problems with the current system.

24 of the non-residential imprests hold imprest values in excess of their average monthly spend. The Service was reluctant to reduce the amounts held as cash is currently their only way of providing emergency welfare support.

Time spent administering imprests and cashing cheques takes staff (often unit managers) away from their principal client supporting duties. Administrative arrangements were not equal across all sites so staff at different grades do the same tasks.

Due to the nature of the service, existing alternatives such as greater use of purchase cards, are only a partial solution (See Action Plan M6).

At the time of the audit, 12 of the 48 imprests (with a total authorised amount of £4,170) were used rarely, or no longer needed as the site had closed. Of the 12, issues with 5 of these had affected the imprest's closure; inadequate record keeping, no

proper handover between imprest holders and money loaned between imprests have all created problems with final reconciliations. (See Action Plan L2)

### **3. Conclusion**

Overall imprests were held securely, spend was appropriate to service delivery and claims were correctly recorded on Integra. However, there were areas of non-compliance with the Financial Regulations which control the use of imprests. Risks to the operation of imprests could be further reduced by staff complying fully with Financial Regulations and through improved administration and record keeping practice.

Due to the closure of local banks and the need to cash cheques the current model of using imprest for H&SC service delivery is becoming increasingly difficult to maintain and is drawing staff away from client supporting duties.

H&SC should explore with Finance alternative cash payment options or other payment methods to better enable service delivery going forwards.

#### 4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	8 imprests did not agree to the record of the authorised amount (agreed imprest value) held by Finance.	<p>All imprest authorised amount differences need to be reconciled and resolved between H&amp;SC imprest holders and Finance. This should ensure that authorised amounts are held and not exceeded.</p> <p>Imprest Holders should comply with the requirements of <a href="#">Appendix 20 of the Financial Regulations Instruction Note- Petty Cash and Cash Floats</a> regarding any change to the authorised amount.</p>	<p>H&amp;SC will contact all imprest holders whose imprests had differences and work with Finance to reconcile and resolve these differences, with Finance making any adjustments to the ledger as required.</p>	Business Manager, Health and Social Care	31/03/24
				<p>Instructions on complying with Financial Regulations will be issued. Finance are currently revising imprest procedures and guidance in response to a previous internal audit of imprests HRF15-001. Health and Social Care will develop supplementary guidance to help staff comply with Financial Regulations.</p>	Business Manager, Health and Social Care (Service Finance Manager will provide assistance where required)	31/03/24
				<p>As part of the year end procedures for imprest certificate, imprest holders will be required to state they have read and understood the requirements set out in Financial Regulations.</p>	Service Finance Manager, Corporate Finance, Resources and Finance	31/03/24
				<p>Imprest holders and staff administering imprests will be expected to complete the relevant online training. An instruction will be issued to this effect. Details of who has and has not completed training will</p>	Business Manager, Health and Social Care (Service Finance Manager will provide assistance where required)	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
				be obtained to monitor and ensure compliance.		
M2	Medium	17 imprests did not reconcile to their authorised amount (i.e. the agreed imprest value).	Imprest holders should be instructed on their responsibilities outlined under Section 25 of the Financial Regulations which requires that: regular reconciliations of imprests are performed. Imprests must be regularly reconciled to their authorised amount (i.e. total cash value), at minimum when a claim is made. Imprest holders should investigate and report any variances to their line manager and to Finance.	Instructions will be issued in line with M1.	Business Manager, Health and Social Care (Service Finance Manager will provide assistance where required)	31/03/24
M3	Medium	Imprest Holders were not fully complying with the requirements of <a href="#">Appendix 20 of the Financial Regulations Instruction Note-Petty Cash and Cash Floats</a>  13 sites were not using the official Imprest claim pad.  Receipts were not held for all purchases.	Imprest Holders should be instructed on their responsibility to comply with the requirements of <a href="#">Appendix 20 of the Financial Regulations Instruction Note-Petty Cash and Cash Floats</a> (note the Financial Regulations Instruction Note on petty cash is being revised in response to the separate audit HRF15/001 Review of the control and usage of imprests)	Instructions will be issued in line with M1.	Business Manager, Health and Social Care (Service Finance Manager, Corporate Finance will provide assistance where required)	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		<p>Examples were found of expenditure that should not have been made with cash.</p> <p>Some amounts issued were not spent in full and either held for young people at sites, or (at 2 sites) some of this money was returned to the imprests.</p> <p>Money had been returned to 2 imprests resulting in credit entries in the imprest ledger which is not covered in imprest procedures.</p>	<ul style="list-style-type: none"> <li>The official claim form should be used for all imprest claims.</li> <li>Receipts must be provided to evidence all expenditure.</li> </ul> <p>Written guidance on what is and is not acceptable spend via cash should be issued to all sites. This will signpost staff to alternative methods of purchase and link into the H&amp;SC Service's plans to reduce cash use.</p> <p>Imprest procedures should be revised to show how to account for any situation where money is returned.</p>			
M4	Medium	There was inconsistency in records held to support claim details, petty cash vouchers and welfare forms.	<p>H&amp;SC need to standardise processes and recording. Specifically:</p> <ol style="list-style-type: none"> <li>Implement spreadsheets which contain sufficient information for administrators, holders and managers to see what purchases are for, who purchased, whether the money was advanced to staff or for reimbursement and profile the type of spend.</li> <li>Standardise forms for requesting cash to make a purchase (including to meet legislative requirements).</li> <li>Standardise procedures on how to claim and access cash in out of hours or</li> </ol>	Health and Social Care are in the process of standardising their practices and procedures. The points in the recommendation will be actioned.	Business Manager, Health and Social Care	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			emergency situations, taking into account that administrators are not always on site.			
M5	Medium	<p>We found that residential sites can receive money for young people from their families and that there was no standard recording for this.</p> <p>Residential sites request additional monies via cheques for rounded amounts to cover young people's holiday expenditure, clothing and birthday/Christmas. Recording of these varies between sites.</p> <p>One site held over £1,000 in cash (the imprest and cash held for young people) contrary to Financial Regulations</p>	<p>H&amp;SC should implement arrangements to ensure appropriate control and recording of monies held for or received on behalf of young people. Residential sites should set up standard recording sheets and procedures to cover money being taken in and to administer additional monies held on behalf of young people.</p> <p>H&amp;SC should implement arrangements to ensure that cash held on site does not exceed £1,000.</p>	<p>Health and Social Care will develop standard procedures for residential sites. Best practice at selected sites will be used to develop the procedures. It is imperative that staff keep adequate records and if concerns are identified with record keeping appropriate action will be taken.</p> <p>A workshop will be held to outline new procedures, discuss good practice and help staff implement this.</p>	<p>Business Manager, Health and Social Care</p> <p>Resource Manager, Residential Childcare, Health and Social Care</p>	<p>31/03/24</p> <p>31/03/24</p>
				<p>This will be addressed in the revised procedures and communicated to all relevant staff.</p>	<p>Business Manager, Health and Social Care</p>	<p>31/03/24</p>
M6	Medium	<p>Due to the closure of local banks and the need to cash cheques the current model of using imprest for H&amp;SC service delivery is becoming increasingly difficult to maintain. Current alternative methods of payment cannot meet all the H&amp;SC Service's needs. The principal issues are:</p>	<p>H&amp;SC should work with Finance to review current use of imprests and identify alternative cash payment options or other payment methods to enable service delivery going forwards. This should include developing a short-term action plan to aid implementation.</p>	<p>An action plan will be developed setting out the possible alternatives and what work would be needed to implement these. Health and Social Care will hold meetings with peers in other local authorities to explore how services can be, or are already delivered using alternative methods of payment. This knowledge</p>	<p>Business Manager, Health and Social Care to co-ordinate. Strategic Leads and operational Managers in H&amp;SC will be responsible for liaising with peers in other authorities.</p>	<p>31/03/24</p>



Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		<p>Banks are closing so sites rely on open credit agreements which don't have to be honoured.</p> <p>Availability of cash is a continuing problem for residential sites outwith Inverness.</p> <p>Staff (often managers) had to drive considerable distances to cash cheques taking them away from their client work.</p> <p>Cheques don't arrive on time leading to irregular ways of maintaining cash via staff using their own money or loaning money between imprests and between cash tin held on site.</p> <p>Money is moved between different sub tins creating administrative difficulties.</p>	<p>Any sites affected by branch closures should immediately review their current open credit agreements and make new applications.</p>	<p>sharing will feed into the action plan.</p> <p>Part of the action plan will involve deciding where to use existing options to a greater extent for example targeted use of purchase cards or using official orders for some items.</p> <p>Finance have established a new resource to look more closely at imprests and purchase cards in conjunction with one another and will assist Health and Social Care with the action plan.</p> <p>From the work listed above a decision will be made about whether to implement alternative payment options. Implementing alternatives may take longer and has to be balanced against other Health and Social Care and Finance priorities.</p> <p>Health and Social Care will review all their current agreements, apply for new ones if needed and will report back to Finance if they are experiencing problems with any existing agreements. Finance will then be able to advise if any temporary alternatives can be used to ensure cash is available. The previous internal audit report on imprests HRF15-001</p>	<p>Business Manager, Health and Social Care</p> <p>Business Manager, Health and Social Care</p>	<p>31/03/24</p> <p>31/03/24</p>

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			All Staff who use and administer H&SC imprests should be instructed that money should never be loaned to imprests either from their personal funds or another imprest.	contains an action for Finance to document permitted alternatives to accessing cash.  This will be covered as part of the instructions referred to at M1, M2 and M3.	Business Manager, Health and Social Care	31/03/24
L1	Low	Criminal Justice Service hold several tins contain £50 each. These are not being accounted for consistently with regard to the total authorised amount held for the imprest.	The Criminal Justice Service should ensure that all sub tins need to be returned and reconciled to their main imprest and the Service needs to decide if these sub tins are still required.	Sub tins will be returned and reconciled to their main imprest and a decision taken on whether sub tins are still required.	Principal Officer, Criminal Justice Services, Health and Social Care, working with Business Manager, Health and Social Care.	31/03/24
L2	Low	At the time of the audit, 12 of the 48 imprests (with a total authorised amount of £4,170) were used rarely, or no longer needed.	H&SC should finalise the closure of all imprests identified as rarely used or no longer needed. All will need to be reconciled before closure.	H&SC will finalise the closure of imprests that are rarely used or no longer needed, ensuring reconciliations are done before closure.	Business Manager, Health and Social Care	31/03/24