

## Internal Audit Final Report

### Resources and Finance

#### Review of the control and usage of imprests

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	5
Minor issues that are not critical but managers should address.	Low	1

#### Distribution:

Head of Corporate Finance and Commercialism, Resources and Finance  
Executive Chief Officer, Communities and Place  
Head of Revenues and Customer Services, Communities and Place  
Service Finance Manager, Resources and Finance

#### 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.

**Report Ref:** HRF15/001.bf

**Draft Date:** 02/06/23

**Final Date:** 08/09/23

## 1. Introduction

- 1.1 Imprests are petty cash holdings used to purchase goods and services. The Instruction Note on Petty Cash and Cash Floats states that purchases should be restricted to a limit of £25. A team within the Resources and Finance Service maintains a central record of imprests. All imprest claims are entered on Integra. Imprests are either directly administered by Services, for example in schools, or administered by Business Support. In 2021/22 there were 1157 imprest claims totalling £274,980.
- 1.2 Policies and procedures governing imprest use were reviewed. All imprest spend for 21/22 and the central imprest records were compared to assess which imprests were actually in use. Enquiries were made with Imprest Holders, Budget Holders and Business Support to check imprests were being held securely and a sample of claims was examined to assess compliance with Financial Regulations.

## 2. Main Findings

- 2.1 *Policies, procedures and systems are adequate for the governance and operation of imprests*

This objective was partially achieved. Section 25 of Financial Regulations and its associated Instruction Note covers imprests and provides most of the necessary instructions for operating imprests in a secure controlled way but it is not comprehensive. The Instruction Note should have been updated after the 2021 Internal Audit report *Missing Petty cash from a Facility* but has not been done to cover all points recommended.

There is also a guide on how to administer imprests containing procedural instructions on the Schools' SharePoint site. This guidance duplicates some of the Instruction Note, contains out of date information and contradicts the Council's Retention Schedules.

From 7 examples of openings, changes and closures to imprests; the authorisation to open was not as stated in Financial Regulations in 1 case, imprest certificates were not timeously

returned and 4 closed imprests have had some or all of their amount written off which indicates adequate expenditure records were not kept.

A number of issues were identified whereby the central imprest record is inaccurate: 1 imprest was not in the recorded location as it had been taken to the holder's home due to the COVID lockdown and had not been returned to the office. For 55 of the imprests it was not clear from the central spreadsheet exactly which Council sites they are held in. The Imprest Team are not always timeously informed of changes to locations or holders or amounts. 2 other Imprest Holders disputed the amount they held when the annual certificates were issued. (See Action Plan M1).

- 2.2 *Staff are aware of imprest policies and procedures and comply with their requirements, in the secure holding of cash*

This objective was partially achieved. Imprest Holders were aware of Financial Regulations and stated imprests were held securely. In almost all cases claims were supported by receipts and a summary of items claimed was available. However, several procedures are not followed adequately and corporate information on imprests is not sufficient as outlined below.

### Claims

18 imprest claims (from 11 schools and 7 other Services), were examined from 21/22 to verify they adhered to Financial Regulations. Key points from these examinations were:

- Receipts were usually held although VAT receipts were not always obtained and in 2 cases handwritten notes were the only record of purchase
- VAT is not always extracted on Integra
- Several purchases were above the £25 limit which indicates staff requesting cash are not aware of procedures
- The official claim pad was not used for 4 imprests
- Alternative purchasing options were available; some could have been made via official order e.g. ICT equipment, key cutting. Also claims for reimbursement were submitted by individual staff

where their department had purchase cards which could have been used.

- In 1 case fuel was reimbursed which should have been an expenses claim.

3 of the highest spending imprests in 21/22 (£27,171 in total) were for the refugee resettlement programme. Cash was used to pay supported living costs to refugee families until bank accounts could be set up. Cash was delivered to the families and receipted. But for 1 imprest (for 9 claims totalling £6,175) these receipts were not located as the officer had left the Council. A spreadsheet showing which families had received the money was provided but this is not a sufficient audit trail for these sums and there was no proper handover of imprest records.

Irregular replenishment methods were identified. In 2 instances imprests were replenished via PayPoint; an emergency payment for the refugee resettlement programme and 1 school not in close proximity to a bank. Another school has a member of staff set up as a supplier on Integra, whereby they are reimbursed via BACS for petty cash purchases. Neither of these practices should take place, as there is no established process authorising them.

#### Imprest data-Integra

Integra is not used to its fullest extent:

- Receipts and claim forms can be attached to each claim transaction on Integra but 79 claims had no attachment and for those with attachments, this varied; some contain all receipts, others just a claim form (not always the official version).
- 131 claims had no invoice description. It is not always clear from the description which imprest is being claimed for and Accounts staff highlighted poor descriptions as a problem at year end for identifying which year a transaction is in and if it needs to be reallocated in the ledger.

(See Action Plan M2 for all above points raised for this objective).

#### Imprest data-Imprest Team records

The central spreadsheets held are a useful record of all imprests. However, there is scope to improve the information recorded particularly listing all Integra supplier numbers and names, up to date records of Business Support officers who administer imprests and corrections to imprests wrongly listed as cash floats.

Some imprest claims are made via BACS rather than imprest cheque (usually but not exclusively in schools). This means that the full extent of imprest expenditure cannot easily be established. A single detailed spreadsheet would make monitoring of use and expenditure easier for those officers that need this information (See Action Plan Ref L1).

- 2.3 *Imprests are only used when necessary and the sums held are appropriate, with consideration given to possible alternative systems.*

This objective was partially achieved. Imprest spend was appropriate for service delivery but much of the expenditure could have been made by alternative methods (see 2.2). Many imprests have not been used, some holders said they intended to use the imprest once their office re-opened fully. However, Services have changed their operations in the last 2 and a half years and asset rationalisation means that some offices will not re-open. Therefore, it is questioned if all these imprests will be needed. The Resources and Finance Service had started asking other Services to make business cases for retention of individual imprests but it is not clear if this work will continue (See Action Plan Ref M3).

The number of imprests being used in the last 5 years has fallen considerably. Of those currently used c.20% made 1 claim each in 21/22. Many imprest sums held are relatively high (for example 49 have £400 or higher). Infrequent claiming for imprests and high holdings relative to use indicates that there is scope to significantly reduce or remove the imprest sums held.

There are increasing difficulties in cashing imprest cheques, with only 2 branches of the Council's bank in the Highlands. Several open credit arrangements exist with other banks, but they have no obligation to honour these and their branches are subject to

closure too. Officers said they had to drive considerable distances to cash cheques which is an inefficient use of resources and in 1 instance an employee paid the imprest cheque into their personal bank account. Cheques are a comparatively expensive form of transaction. Administrative time ordering and issuing cheques, cashing cheques and administering imprest claims will continue to take up finite resources.

Alternatives to imprests exist, however there is no corporate instruction on which of these methods should or can be used. (See Action Plan Ref M4).

There is a practice and culture of allowing staff to purchase items themselves and reclaim the cost, and a lack of challenge over whether these were necessary. This demonstrates a lack of financial control which is particularly important at present when any expenditure must be strictly essential. Addressing these issues would reduce the need for continued use of petty cash and alternative spending methods. (See Action Plan Ref M5).

### **3. Conclusion**

- 3.1 There is scope to significantly reduce the use of imprests, both the number operating and the amount of cash used. Where these remain, improvement is required in how these are governed and administered, including compliance with Financial Regulations. There are risks associated with the holding of cash and in many cases there are practical problems with administering these too.

**4. Action Plan**

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	<p>The Financial Regulations Instruction Note on Petty Cash and Cash Floats contains out of date details and is not comprehensive. Specifically:</p> <p>Out of date issues:</p> <ul style="list-style-type: none"> <li>• Job titles are out of date and these do not reflect the current Service structures;</li> <li>• Does not mention all officers who approve opening of new imprests and any changes (senior officers in the Resources and Finance Service rather than ECOs were giving final authorisation and ECOs were not included in email chains). This process needs to be revised to be practical taking account of job remits and still ensure sufficient control i.e. changes are appropriately authorised. The process should also detail how compliance will be ensured.</li> </ul> <p>Further guidance is required on the following:</p> <ul style="list-style-type: none"> <li>• In what circumstances sums will be written off and who can authorise this (4 imprests had some or all amounts written off).</li> </ul>	<p>The Instruction Note should be revised to address the issues identified.</p>	<p>Instruction note will be updated. Processes will be discussed and agreed, and posts will be identified within this rather than individuals. Once finalised and agreed this will be added to the trainees site where officers will have to complete the training before being issued with an imprest.</p> <p>The Instruction Note will outline responsibilities for Services and Officers, show that Corporate Finance owns the imprest operation and include a flow chart for key operations (opening, changing control amounts and closing of imprests).</p> <p>The Instruction Note will be issued to all imprest holders and those administering imprests. Holders will notify Corporate Finance via the Imprest mailbox of any updates to control amounts and current location of imprests.</p> <p>A decision will be made on what additional resource can be provided to support imprest and purchase card administration</p>	Service Finance Manager	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
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		<ul style="list-style-type: none"> <li>• How imprests should be administered when the holder and administering officers have limited access to the site as it has closed or due to hybrid working arrangements</li> <li>• Lack of clarity over circumstances when, and procedures for, an imprest is taken to another Council site or held outwith Council sites (1 imprest was not in its expected location and there is no central record of the exact locations of all imprests). Imprests have been moved and held outwith Council sites during the COVID pandemic.</li> <li>• The circumstances when imprest expenditure is appropriate;</li> <li>• There is no guidance as to when claims should be submitted, previously this was when c. 50% of the imprest sum had been spent</li> <li>• That the Imprest Team need to be informed of all changes to imprest amounts, locations and holders (examples were found of the Imprest Team not being informed)</li> </ul>				

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
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		<p>The guidance for administering imprests on the Schools' SharePoint site is not available to all staff. It duplicates information within the Instruction Note referred to above and is also out of date and not comprehensive, specifically:</p> <ul style="list-style-type: none"> <li>• Not linked to Financial Regulations and the Instruction Note</li> <li>• Outdated job titles</li> <li>• Not clear on when Imprest Team should be informed about particular changes</li> <li>• Does not mention what to attach to Integra</li> <li>• Discrepancy with Retention Schedules over how long to keep records</li> <li>• Guide contains references to schools but should cover all imprests</li> </ul> <p>In addition, the agreed action following the audit of <i>Missing petty cash from a Facility</i> has not been completed. This required the guidance (now instruction) to be updated to address emergency closure periods, updates to job titles and circumstances where holders have limited access to the imprests.</p>	<p>The guidance should be merged with the Instruction Note to have a single document covering procedure. This should incorporate the points listed in the Findings. Old guidance should be taken down from the Schools hub. All Imprest Holders including schools should be sent a link to the revised Instruction Note and this should be circulated to all Imprest Holders on an annual basis.</p> <p>The Imprest Team spreadsheet needs to be updated to clearly show the Council premise each imprest is held in and any move to a different location must be communicated immediately to the Imprest Team.</p> <p>The audit <i>Missing Petty Cash at a Facility</i> recommended using the guidance developed by Business Support covering emergency closure periods. This should be incorporated to the above-mentioned revised guidance and made applicable to all Imprest Holders.</p>	<p>Current guidance will be removed from the Schoolshub and a link to the revised Instruction Note provided in its place.</p> <p>If schools need additional guidance then this should be issued from the school support team and owned by them, it will be their responsibility to keep this updated in line with the instruction note.</p> <p>Covered by above amendments to Instruction Note and email.</p> <p>A copy of guidance developed by Business Support covering emergency closure periods will be provided to Corporate Finance to assist in revising the Instruction Note.</p>	Business Support Operations Manager	Complete

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
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M2	Medium	<p>Examination of a sample of imprest claims identified a number of issues where the instruction had not been complied with:</p> <ul style="list-style-type: none"> <li>Receipts are not always held for purchases</li> <li>VAT is not always extracted on Integra</li> <li>Purchases were over £25</li> <li>The official claim pad was not used in all cases.</li> </ul> <p>In addition, it is considered that some purchases should have been made via official order or a purchase card</p> <p>Receipts have not been located for 1 imprest for the refugee resettlement programme.</p>	<p>An instruction should be issued to all Imprest Holders and those who administer imprests on:</p> <ul style="list-style-type: none"> <li>the need to comply with Financial Regulations for imprests.</li> <li>that imprests are not to be used as a substitute for official orders</li> <li>anyone submitting receipts for imprests claims to Business Support should have Budget Holder approval and provided with correct ledger code.</li> </ul>	<p>This will be updated in the instruction note as outlined in M1.</p>	Service Finance Manager	31/03/24
		<p>The revised Instruction Note should stipulate that for any programme where cash is delivered to individuals detailed receipts are created and all receipts are held electronically in a location where all those overseeing the programme can access them.</p>	<p>To be covered as part of revisions in M1.</p>	Service Finance Manager	31/03/24	
		<p>1 school imprest is being replenished via Pay Point, 1 imprest was replenished via Pay point in an emergency as funds were needed immediately.</p>	<p>This practice should cease, the imprest should be paid into the school fund bank account via BACS. Imprests should only be replenished via cheque or BACS to school fund accounts. Any changes to this require a new established process setting out the circumstances where alternatives are acceptable. This</p>	<p>There is sometimes a need for exceptions due to the rurality of some parts of the Highlands and lack of bank branches in local areas. Pay Point/Post Offices and expenses reimbursements have been used to try and alleviate these issues, these are the exception not the norm, and will need to be continued.</p>	Head of Corporate Finance and Commercialism	31/03/24



Ref	Priority	Finding	Recommendation	Management Response	Implementation		
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		<p>An instance was found of a staff member in a school set up as a supplier on Integra to reclaim for petty cash expenditure. This is an unacceptable practice</p> <p>Integra is not used to its fullest extent. There is inconsistency in what is attached and the descriptions for imprest transactions many of which are not sufficiently detailed to assist Accounts staff.</p>	<p>This should be addressed immediately to ensure that official purchasing methods are used. An instruction should be issued to all schools that this is unacceptable and purchase cards or official orders should be used.</p> <p>This should be addressed by the instruction mentioned above and revisions to guidance in M1.</p>	<p>An established process setting out alternative i.e. non cheque replenishment methods will be written and approved by the Section 95 Officer (the procedure will outline where approvals to individual alternative arrangements can be delegated).</p> <p>To be covered by an action in the forthcoming school finances audit.</p> <p>Covered by response to M1.</p>	Service Manager	Finance	31/03/24
M3	Medium	<p>There is scope to reduce the number of imprests held, and for others, the imprest amount can be reduced.</p> <p>57 imprests were not used in 21/22. 20 of these imprest holders were contacted and responses provided were that:</p>	<p>All Imprest Holders whose imprests have not been used in the last year should be contacted to inform them the imprest will be closed unless there is a business case to support the need for retention.</p> <p>All imprests should be reviewed with business cases made to</p>	<p>Once the owner and team are identified the individual imprests can be reviewed and a suitable business case designed to help to decide which should be retained and which should be closed.</p> <p>When the instruction Note is revised and re-issued all imprest</p>	Service Manager	Finance	31/03/25
					Service Manager	Finance	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
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		<ul style="list-style-type: none"> <li>• 9 no longer need the imprests.</li> <li>• 1 was unaware of the imprest,</li> <li>• 7 said they will need the imprest once sites reopen fully</li> <li>• 3 did not reply.</li> </ul> 41 imprests had a single claim in the year for less than £100 each. Therefore, the need for these is questioned.	retain them. Decisions should then be taken on whether these should be retained or closed.	holders will be asked if they still require their imprest and be encouraged to close unused or little used imprests. Procedures to close will be included in this communication.		
M4	Medium	There are alternative methods of purchase to imprest use but there are no instructions setting out when these should be used and the circumstances that apply.  It should be recognised that there are practical concerns with the administration of imprests namely: <ul style="list-style-type: none"> <li>• The staff administering and approving the claims may not be working in the location during all business hours</li> <li>• There is difficulty in cashing imprest cheques due to bank closures.</li> </ul>	Officers within the Finance & Resources Service should prepare instructions which set out the accepted methods of purchasing with the aim to reduce the number of imprests in place. This should also consider other purchasing methods available e.g. if a purchase card is held at the location, and if there are practical issues with administering an imprest.	See previous points made, this will be captured in the updated Instruction Note.	Service Finance Manager	31/03/24
M5	Medium	There is a practice and culture of allowing staff to purchase items themselves and reclaiming the expenses, and a lack of challenge over whether purchases are strictly necessary.	Guidance on this should be included in the Instruction Note referred to in action M1 above to reduce the volume of these transactions. When instructions are issued covering the audit findings, they should contain	Agreed will be issued as per M1 action.	Service Finance Manager	31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
			links to previous Corporate instructions to Budget Holders regarding non-essential expenditure.			
L1	Low	<p>The central imprest record is incomplete:</p> <ul style="list-style-type: none"> <li>• it does not have details of all imprest Integra supplier numbers</li> <li>• It does not detail the Business Support officers who administer the imprests.</li> <li>• Imprests and cash floats have not always been classified correctly.</li> <li>• Some imprests are replenished via BACS rather than cheque but it is difficult to identify all of these on Integra.</li> <li>• Additionally, not all Integra supplier names are up to date.</li> </ul>	<p>The spreadsheet should be updated to:</p> <ul style="list-style-type: none"> <li>• List Integra supplier numbers for all imprests</li> <li>• List all staff who administer imprests</li> <li>• Clarify which are cash floats and which are imprests</li> <li>• List the method imprests are paid by e.g. cheque or BACs</li> </ul> <p>Creditors should have read only access to this.</p> <p>Integra supplier names should be updated and adhere to a standard narrative of Service and current holder(s).</p>	<p>This will be reviewed in line with M3 above. The priority is that the imprest holder is correct. The other information is useful but not essential and will be updated if resources allow.</p> <p>Read only access will be provided to appropriate officers in Creditors.</p> <p>Will be reviewed in line with M3.</p>	Service Finance Manager	31/03/25