

Background

Responding to emerging risks and prior audit findings, DIOS conducted an audit of selected cashier functions including a surprise cash count, at several branches of the Microfinance Department (MD), Jordan Field Office (JFO).

Cashier functions cover the process from receipting, making deposits, imprest fund handling, preparing daily journal to initiating bank reconciliations.

Objective and purpose

The audit aimed to assess the internal control systems, risk management, and governance processes over selected cashier functions including monitoring controls performed by branch management as well as compliance with relevant MD rules and regulations. The surprise cash count serves to assess accuracy and completeness of the cash on hand balance.

What DIOS concluded

Surprise cash count

No discrepancies between the DIOS counted cash amount and official book balance.

DIOS independently counted the daily cash on hand balance including imprest fund, and the balance agreed with official book balance.

Physical controls

Access controls were present, while there were some opportunities to improve.

Access to cashiers' office was safeguarded, and cash was kept in lock boxes with two keys. DIOS noted to management areas to improve including need for backup imprest disbursement measures and closer coordination and alignment with UNRWA security and health instructions.

Cash receipts

Cash receipting, temporary cash receipts & depositing controls were functioning well.

Based on a sample tested at three branches, DIOS noted that the internal controls on cash receipting over the tills, use and monitoring of temporary cash receipts by cashier and depositing of received cash daily, are in place.

Plan B- cash receipts were not properly controlled or monitored.

Plan B- cash receipts were used upon OMNI unavailability, which though approved as per requirement, were treated as regular 'live' cash receipts and there are insufficient controls on system validation and monitoring.

Cash count

Daily cash count, monthly surprise cash count and reporting are in line with required procedures.

The branches tested complied with the daily cash counting requirements and the results were reported to Finance at the national office accordingly.

Bank reconciliation

Preparation of bank reconciliation is in accordance with instructions, and generally timely.

The Field Accounting Officer at MD JFO reviewed the reconciliations (which was transaction by transaction), approved and submitted the reports for the branches. Due to COVID related restrictions, several submissions were late.

Insurance

MD has various insurance policies but needs to ensure full coverage.

The branches were unaware of the terms and conditions of the insurance policies, such as maximum limits of cash in transit, cash in the safe etc. Covered person changes were also not timely communicated, and one branch was omitted in the insurance coverage.

What DIOS recommends

DIOS made 2 recommendations of which one is high risk (Recommendation #1):

- 1 MD should implement necessary controls on the usage and monitoring of Plan B-CRs aligned with OMNI.
- 2 MD should take necessary measures to ensure awareness and compliance at the branch level of the terms and conditions of the insurance coverage, and to timely report relevant changes.

What management is doing to address DIOS recommendations

MD JFO has taken prompt action to mitigate the risks of the noted control deficiency starting with developing validation controls in OMNI to accommodate Plan B- CRs, with the option to extract transaction reports. Furthermore, procedure for using Plan B- CR by cashier under control and supervision of the branch manager at MD branches has also been drafted.

MD JFO has initiated the process to include the missing branch into the insurance coverage and will monitor changes in cashier at branches going forward.

Methodology, Approach and Disclosure

DIOS conducted an audit of selected cashier functions and assessed related controls primarily: cash receipting, control on temporary cash receipts, cash depositing, bank reconciliations and monitoring controls performed by branch management.

The audit approach included a surprise cash count, enquiries and interviews with staff, review of relevant documents, testing cashier process for the month of September 2020, analysis of data obtained from OMNI, and other procedures deemed necessary.

The audit was conducted in accordance with DIOS standards, which are designed to conform to the International Standards for the Professional Practice of Internal Auditing and took into consideration the risk assessment exercise conducted prior to the audit.

Pursuant to OD14, this summary of internal audit findings and recommendations including management action taken to address recommendations, is made publicly available on the DIOS internet page upon issuance of the audit report (on 8 March 2021).