

NHS Lothian

Internal Audit 2024/25

Cash Donations

October 2024

FINAL REPORT

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It is the responsibility solely of NHS Lothian management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



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Report Distribution

Executive Lead:

- Craig Marriott - Director of Finance

For Information:

- Caroline Hiscox - Chief Executive
- Craig Marriott - Director of Finance
- Audit and Risk Committee

Executive summary



Background

NHS Lothian staff collect cash donations from individuals who wish to make a donation to the organisation. This includes from patients, families and members of the public.

Sound controls over the receipt of cash donations and handling of cash donations is of high importance to NHS Lothian as it is essential to reduce the risk of loss and/or misappropriation.

The cash handling processes are derived centrally however, cash handling is managed on a location-by-location basis and across the three primary settings; community setting, community hospitals and acute hospitals.

According to NHS Lothian's financial operating procedures, all payments of cash, cheques, credit/debit cards, and valuables received should be receipted immediately using official NHS Lothian receipt forms and entered in an approved form of register. Local arrangements should ensure that all funds received at a ward or other department are receipted at the ward or department and then taken to the nearest cash office for banking or secure storage as soon as possible. This approach to handling cash donations is designed to maintain financial control, increase efficiencies, and reinforce the integrity of cash management.

Our review sought to assess the effectiveness of these processes in safeguarding against the risks associated with the handling of cash donations. Specifically, we focused on verifying that donations are managed appropriately at all points of contact, from initial receipt to final deposit into NHS Lothian's accounts. The audit also aimed to identify any deviations from established protocols that could lead to financial discrepancies or undermine the overall integrity of the cash management system.

Executive summary



Objectives

Our review focussed on the following key risks:

- Policies and procedures around the receipt and recording of cash donations are not held. This can result in inconsistent practices developing increasing the risk of loss or misappropriation of funds
- Cash donations not received in line with policies and procedures may result in inaccuracies in the collection, counting, storing and banking of cash
- Income is not recorded as received and/or banked in a timely manner. Delays in processing can contribute to the origin of the payment becoming misplaced
- Records of any cash receipts are not maintained or balanced to physical cash holdings which could result in the loss or theft of donated income prior to banking not being identified
- There is no regular monitoring and reporting of cash donations to identify any outliers and areas of concern



Limitations in scope

Our findings and conclusions will be limited to the risks identified within the APB. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with fraud.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This review does not constitute an assurance engagement as set out under ISAE 3000.



Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Headline messages



Moderate Assurance

We have completed our assessment of the design and operational effectiveness of the controls in place regarding the receipt of cash donations and have concluded that the processes have provided **Moderate Assurance**. This was confirmed through sample testing, review of documentation and through discussions with management and other staff.

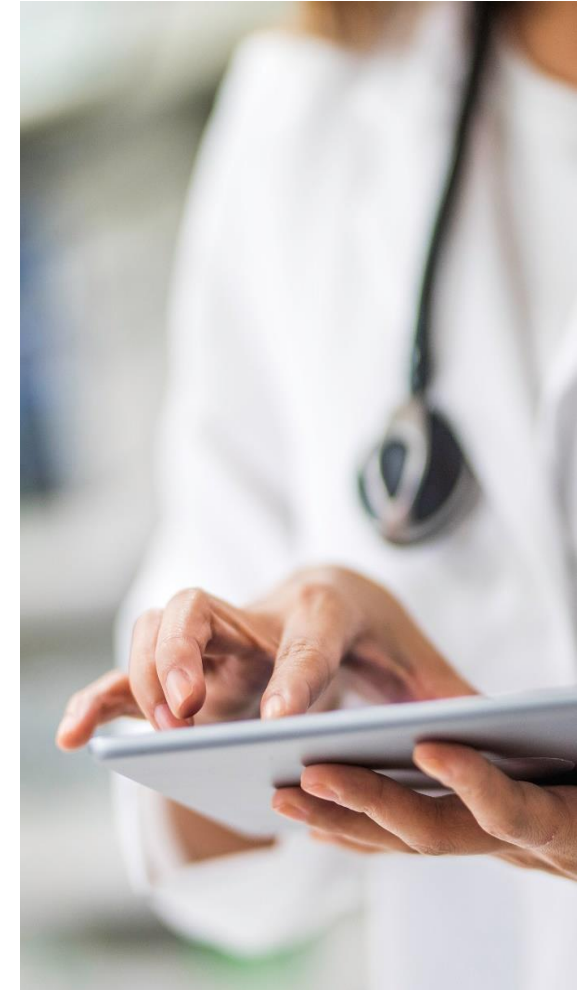
We have provided 'Moderate Assurance' based on our findings, indicating that the controls upon which the organisation relies are suitably designed and, in most cases, effectively applied. However, a moderate amount of residual risk remains.

Our internal audit of NHS Lothian's cash donation processes identified that while there are adequate controls in place for managing cash donations at acute sites, improvements are needed at community locations. The audit identified gaps in documentation, processing delays, and inadequate monitoring practices. These deficiencies increase the risk of financial mismanagement and potential fraud. It is important to note, however, that no actual instances of fraud or mismanagement were detected from our audit testing.

Two key weaknesses were identified, each resulting in a medium-risk recommendation. First, Donation Receipt Forms were often incomplete, with details such as the date of donation missing, we noted this in 14 of the 44 forms reviewed, notably these were from community sites like East Lothian Community Hospital and Midlothian Community Hospital. This incompleteness can lead to inaccuracies in recording and tracking donations, increasing the risk of funds being lost or misappropriated.

The other key weakness relates to cash donations being promptly passed to the appropriate cashier's office. A review of 23 ward / clinical sites to assess adherence to this procedure found effective controls at acute sites but notable inconsistencies at community sites. At East Lothian Community Hospital, Nursing Admin Staff document donations once banked, but at Midlothian Community Hospital, the tracking of fund movements is inconsistent. Additionally, at the Princess Alexandra Eye Pavilion, there are no formal procedures for collecting, counting, or recording donations, and Donation Receipt Forms are not used. These issues increase the risk of financial mismanagement and loss of donations. Delays in banking cash donations were particularly noted at community hospital sites, including East Lothian Community Hospital and Midlothian Community Hospital. Some donations at these sites took up to 38 days to be processed, heightening the risk of theft or loss.

Management have provided actions to all recommendations. We have challenged management over their actions and the level of assurance provided to the Board and management are satisfied that the actions limit the risk to an acceptable level. We will review progress made as part of our recommendation tracking during 2024/25.



Headline messages



Conclusion

We have raised **six** recommendations including one improvement recommendation. The grading of these recommendations, based on risk, is summarised in the table below.

Risk	Assurance rating	Number of recommendations			
		High	Medium	Low	Imp
Policies and procedures around the receipt and recording of cash donations are not held. This can result in inconsistent practices developing increasing the risk of loss or misappropriation of funds	Moderate Assurance	-	1	-	-
Cash donations not received in line with policies and procedures may result in inaccuracies in the collection, counting, storing and banking of cash	Significant Assurance	-	-	1	-
Income is not recorded as received and/or banked in a timely manner. Delays in processing can contribute to the origin of the payment becoming misplaced	Moderate Assurance	-	1	1	-
Records of any cash receipts are not maintained or balanced to physical cash holdings which could result in the loss or theft of donated income prior to banking not being identified	Significant Assurance	-	-	-	1
There is no regular monitoring and reporting of cash donations to identify any outliers and areas of concern	Significant Assurance	-	-	1	-

Summary of findings



Examples of where recommended practices are being applied

- Documented procedures are in place and advise cashiering staff on the procedures to be followed when receiving cash donations.
- NHS Lothian Charity provides adequate guidance on the required process for documenting cash donations and the requirement to arrange for prompt recording and banking.
- Donations received through the wards at both acute and community hospitals are passed to the appropriate individuals as soon as possible following their receipt.
- Donation Receipt Forms and Donation Income schedules are consistently used to receipt and record cash donations.
- Staff at the East Lothian Community Hospital, where there is no cashiering oversight, maintain a record of all donations, including when they were received, from whom, and the amount of the donation.
- Cashiering staff at the acute sites maintain a record of all banking activities, broken down by cash and cheque values.
- Cash offices at the acute sites verify the cash held each day to the Tin Balancing Sheets held electronically.

Summary of findings



Areas requiring improvement

- The financial operating procedures currently lack approval and review dates, and they do not include all relevant locations, such as East Lothian Community Hospital. These documents should be made more accessible by publishing them on the Finance Online intranet page to ensure staff across all locations follow consistent guidelines and reduce the risk of fund loss or misappropriation.
- Donation Receipt Forms are not being fully completed, with missing details such as donation dates. This inconsistency can lead to delays in tracking when cash donations were handed over to the appropriate office, which increases the risk of the funds being mishandled, lost, or stolen. It is essential that staff are reminded of the importance of completing all fields on these forms to maintain accurate records and reduce the risk of errors.
- Inconsistencies were noted in monitoring and recording cash donations at certain community premises, such as Midlothian Community Hospital and Princess Alexandra Eye Pavilion. Some sites do not follow the required procedures for recording, storing, and banking donations, which could lead to financial mismanagement and the potential loss of funds. Clear guidelines should be enforced to ensure the consistent application of controls across all locations.
- There have been delays in banking cash donations at several sites, with some donations taking up to 38 days to be deposited. This presents a risk of funds being lost, stolen, or mishandled during the waiting period.
- At certain sites, such as Western General Hospital and St John's Hospital, the Tin Balancing Sheets, which track charity income, are not consistently updated. This inconsistency increases the risk of inaccurate financial records and reduces accountability for managing donations.
- Sites where banking is not conducted through central cash offices, such as East Lothian and Midlothian Community Hospitals, lack routine monitoring and reporting of cash donations. This creates a gap in the ability to track and account for all donations accurately.

Detailed findings and action plan

1.1	Moderate Assurance	Policies and procedures around the receipt and recording of cash donations are not held. This can result in inconsistent practices developing increasing the risk of loss or misappropriation of funds	
Finding and implication	Audit recommendation	Management response, including actions	
<p><u>Guidance is incomplete and not subject to routine review</u></p> <p>Documented guidance is in place through a Finance Operating Procedure at the cashiers' offices. There are also additional desktop procedures, prepared by the Cashiering Team Leader to provide further detail around the receipt and management of charitable donations received through the wards / cash offices.</p> <p>The NHS Lothian Charity 'Guide to Managing Funds' has been produced to facilitate the use of charitable funding. This is available to staff online, however, has not been actively communicated or promoted. The Guide has noted that all charitable donations received by members of NHS Lothian staff in the course of their employment must be paid into a charitable fund held by NHS Lothian Charity. The Guide also notes that donors should be given a Donation Receipt Form at the time of giving the donation. Separate guidance has been prepared by the Charity for the accurate completion of donation receipts.</p> <p>We noted the Financial Operating Procedures lack both an approval date and a review date. Additionally, under Section 3 (Cash Office Information), they have listed five cash offices. However, while the Midlothian Community Hospital has been included as an "informal" cash office, where the Nursing Administration Staff oversee the movement of cash donations, the East Lothian Community Hospital has not been included in the list. Our review identified that arrangements are in place similar to those at Midlothian Community Hospital. Additionally, procedures for handling donations at Ellen's Glen, Ferryfield House, The Princess Alexandra Eye Pavilion (PAEP) and Astley Ainslie Hospital (AAH) are not clearly outlined. Finally, although available on the finance shared drive, the procedures are not accessible through the Finance Online intranet page.</p> <p>Inconsistencies in policies and procedures around the receipt and recording of cash donations can foster irregular practices, heightening the risk of fund loss or misappropriation.</p>	<p>Recommendation 1</p> <p>The Financial Operating Procedures should be updated to include the approval and review dates, ensuring East Lothian Community Hospital is listed as an informal cash office, and clarify donation handling arrangements for all four acute sites. The procedures should then be made accessible through the Finance Online intranet page as a reminder that these Procedures exist and should be adhered to.</p>	<p>Actions:</p> <p>The Financial Operating Procedures will be updated to include reference to community settings. As community settings do not have Finance controlled cash office facilities, best practice guidance will be provided to local site management to implement local arrangements.</p> <p>Once approved the Financial Operating Procedures will be posted on the Finance Online internet page.</p> <p>Responsible Officer: Olga Notman, Head of Financial Control</p> <p>Executive Lead: Craig Marriott, Director of Finance</p> <p>Due Date: December 2024</p>	

Detailed findings and action plan

2.1	Significant Assurance	Cash donations not received in line with policies and procedures may result in inaccuracies in the collection, counting, storing and banking of cash	
Finding and implication	Audit recommendation	Management response, including actions	
<p><u>Donation Receipt Forms are incomplete</u></p> <p>A Donations Receipt Form is completed for all Cash donations received both through wards, clinical sites and on-site cash offices. These should include details of the donor's name, address, donation amount and intended charity fund. Ward staff are advised through the Donation Receipt Form guidance, that cash donations should be passed to the appropriate cashiers office as soon as possible.</p> <p>44 Donations Receipt Forms were reviewed for completeness, which accounted for all cash donations received through the cash offices and community hospitals and banked during January 2024 – July 2024.</p> <p>Of the 44 Donation Receipt Forms examined, 23 had been completed accordingly. Of the remaining 21, the majority (14) had not recorded the date of donation. In one further instance, a cashier's receipt book had been completed instead of a Donations Receipt. Missing dates can lead to delays in tracking when donations were handed over to the cash office, increasing the risk of funds being mishandled or lost.</p>	<p>Recommendation 2</p> <p>Staff should be reminded to fully complete Donation Receipt Forms, including the donation date.</p>	<p>Actions:</p> <p>Communication will be included in the Weekly Brief to remind staff of the NHS Lothian Charity Guide to Managing Funds and the importance of completing the Donations Receipt Form fully. Targeted training will be provided to identified areas.</p> <p>When donations are forwarded to the cash offices, the cashiers will review for completeness and remind staff of this requirement. The Charity staff will also follow up when paperwork forwarded to them.</p> <p>Responsible Officer: Olga Notman, Head of Financial Control</p> <p>Executive Lead: Craig Marriott, Director of Finance</p> <p>Due Date: December 2024</p>	

Detailed findings and action plan

3.1

Moderate Assurance

Income is not recorded as received and/or banked in a timely manner. Delays in processing can contribute to the origin of the payment becoming misplaced

Finding and implication	Audit recommendation	Management response, including actions
<p><u>Donation income at community premises is not routinely monitored</u></p> <p>Ward staff are advised through the guidance that cash donations should be passed to the appropriate cashiers' office or similar as soon as possible and banked within a week.</p> <p>A sample of 23 ward / clinical sites across acute and clinical locations were visited to confirm with staff that procedures are followed when receiving donations. These covered:</p> <ul style="list-style-type: none"> • Receipt • Storage • Transfer to Cash Office/Banking <p>While controls over cash donations are effectively applied at acute sites, inconsistencies were identified at community premises. At East Lothian Community Hospital, Nursing Admin Staff maintain records of all donations once banked. However, at Midlothian Community Hospital, while donations are banked and paperwork is forwarded to NHS Lothian Charity, the movements of funds in and out are not routinely recorded. Additionally, at the Princess Alexandra Eye Pavilion, there are no established procedures for collecting, counting, recording, or banking donations, and Donation Receipt Forms are not used.</p> <p>The lack of the consistent application of controls and documenting of donations increases the risk of financial mismanagement potentially leading to a loss of donations, and / or reduced accountability. The absence of clear procedures at the Princess Alexandra Eye Pavilion, presents a risk of funds being mishandled or going unrecorded, compromising financial integrity and threatening donor trust.</p>	<p>Recommendation 3</p> <p>Ensure the consistent application of cash donation controls across all sites. All staff, including those at Midlothian Community Hospital and Princess Alexandra Eye Pavilion, should follow the procedures for the receipt, storage, recording, and transfer of donations. Spot checks should be completed to enforce adherence once controls have been embedded.</p>	<p>Actions:</p> <p>Local site management will be requested for a nominated lead who will be provided with a good practice guide which will include considerations of the spot checks and be responsible for the implementation of the guide.</p> <p>A communication will be issued to staff to remind them of the requirements as per the NHS Lothian Charity Guide to Managing Funds</p> <p>Responsible Officer: Olga Notman, Head of Financial Control</p> <p>Executive Lead: Craig Marriott, Director of Finance</p> <p>Due Date: December 2024</p>

Detailed findings and action plan

3.2	Significant Assurance	Income is not recorded as received and/or banked in a timely manner. Delays in processing can contribute to the origin of the payment becoming misplaced	
Finding and implication		Audit recommendation	Management response, including actions
<p><u>Cash donations are not being banked promptly</u></p> <p>At sites where banking is carried out, the cashier or member of the nursing administration staff will balance the cash taken with the transaction records on the Donation Income Schedules and prepare a bank giro credit for banking. The Finance Operating Procedures advise that the timescale for banking varies from site to site but the minimum requirement is once a week.</p> <p>Of the 32 Bank Giro Credit slips reviewed, covering a total of 44 cash donations, four donations were banked 13, 22, 25 and 29 days after receipt at the cashiers office/admin office. The amounts of each donation were £200, £20, £112.75 and £100 respectively. These delays involved one donation from the WGH sample of 14, one from the SJH sample of 19, and two from the East Lothian Community Hospital sample of four.</p> <p>Also, of the 27 Donation Receipt forms that had been dated upon donation receipt, comparison against the date received by the acute site cash office/admin office noted one instance where the donation had not been received for 38 days, with the remaining 26 in six days or less.</p> <p>Delays in both passing donations to the site cash office and banking them, increase the risk of fraud or funds being lost, stolen, or mishandled.</p>		<p>Recommendation 4</p> <p>The NHS Lothian minimum requirement is once a week for banking donations. All sites should ensure compliance with this requirement.</p>	<p>Actions:</p> <p>A communication will be issued to staff to remind them of the requirements as per the NHS Lothian Charity Guide to Managing Funds and the need to present any donations to the local cash office or management offices as promptly as possible to allow for banking to be performed.</p> <p>Once the nominated site lead has been identified, discussions will be held to identify what is most suitable for their area linking with the Best Practice Guide.</p> <p>Responsible Officer: Olga Notman, Head of Financial Control</p> <p>Executive Lead: Craig Marriott, Director of Finance</p> <p>Due Date: December 2024</p>

Detailed findings and action plan

4.1	Significant Assurance	Records of any cash receipts are not maintained or balanced to physical cash holdings which could result in the loss or theft of donated income prior to banking not being identified	
Finding and implication		Audit recommendation	Management response, including actions
<p><u>Cashier Tin Balancing Sheets are not consistently completed</u></p> <p>Cash offices should verify the cash held each day to the Tin Balancing Sheets held electronically by each site.</p> <p>The Tin Balancing Sheets for the RIE, WGH and SJH cash offices were obtained and reviewed. Their use was discussed with a member of staff from the Cashiers' office.</p> <p>RIE – NHS Lothian Charity amounts are confirmed daily.</p> <p>SJH and WGH – Charity cash is checked when first received and again during banking preparation due to infrequent donations, making daily counts unnecessary when no new donations are received.</p> <p>A review of the Tin Balancing Sheets identified that the charity income section at WGH and SJH is not routinely updated while RIE records donation income separately in a spreadsheet.</p> <p>The failure to consistently update charity income records at WGH and SJH increases the risk of inaccurate financial records, potential mismanagement of donations, and reduced accountability.</p>		<p>Recommendation 5</p> <p>All sites should follow a consistent process for updating charity income records. All donation income should be recorded separately in the Tin Balancing Sheets and updated promptly. Spot monitoring should be introduced to ensure compliance with this process.</p>	<p>Improvement recommendation, no management action is required.</p>

Detailed findings and action plan

5.1	Significant Assurance	There is a lack of regular monitoring or reporting of discrepancies between HealthRoster and SSTS which results in errors and unauthorised retrospective data changes being made	
Finding and implication		Audit recommendation	Management response, including actions
<p><u>All banking activities are not centrally recorded and monitored</u></p> <p>There is no routine monitoring and reporting of donated cash at sites where banking is not conducted through the cash offices, specifically, East Lothian and Midlothian Community Hospitals.</p> <p>At acute sites, staff maintain banking spreadsheets that record detailed information on bank deposits, allowing for routine monitoring. However, at the community hospitals, once donated income is banked, scanned copies of Bank Giro Credits (BGCs), receipts, and income schedules are emailed to NHS Lothian Charity, with no similar process in place for tracking and reporting the donations internally. This may compromise the organisation's ability to track and account for all donations, leading to financial inaccuracies.</p>		<p>Recommendation 6</p> <p>Implement uniform monitoring and reporting processes across all sites, to track donations and ensure consistency and accuracy in reporting.</p>	<p>Actions:</p> <p>Local requirements will be discussed with identified nominated site leads in line with the Good Practice Guide as to how these should be implemented locally.</p> <p>Responsible Officer: Olga Notman, Head of Financial Control</p> <p>Executive Lead: Craig Marriott, Director of Finance</p> <p>Due Date: December 2024</p>

Appendices

Appendix 1: Staff involved and documents reviewed



Staff involved

- Becca Henderson, Cashiering Team Leader
- Tracey Graham, Cashier
- Allison Graham, Directorate Assistant – Midlothian Community Hospital
- Sonia Bradford, Personal Assistant – East Lothian Community Hospital
- Jan McLure, Acting Clinical Nurse Manager – Medicine of the Elderly
- Karen McCabe – Clinical Service Manager - PAEP
- Ward Charge Nurses/Senior Charge Nurses
- Karl Harrison, Accountant – NHS Lothian Charity



Documents and Systems Reviewed

- Donation Receipt Forms
- Donation Income Schedules
- Bank Giro Credit slips
- Financial Operating Procedures – Cashiers
- NHS Lothian Charity Income – Cashiers Desktop Procedures
- NHS Lothian Charity Guide to Managing Funds
- Cash Office Banking information Spreadsheets
- Cashier Tin Balancing Sheets
- Donations Log – East Lothian Community Hospital



Appendix 2:

Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant Assurance	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.</p> <p>There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p>
Moderate Assurance	<p>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</p> <p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p>
Limited Assurance	<p>The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.</p> <p>This may be used when:</p> <ul style="list-style-type: none"> • There are known material weaknesses in key control areas. • It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>
No assurance	<p>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</p> <p>The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance a number of HIGH rated recommendations)</p>

Appendix 3:

Our recommendation ratings

The table below describes how we grade our audit recommendations based on risks:

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Key activity or control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures/standards • Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Important activity or control not designed or operating effectively • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures/standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> • Minor control design or operational weakness • Minor non-compliance with procedures/standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> • Information for management • Control operating but not necessarily in accordance with best practice

