POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND CLEVELAND POLICE

Quarter 4 Spot Checks – Cash

FINAL

Internal Audit Report: 16.15/16

25 May 2016

RSM

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Debrief held	23 March 2016	**Internal Audit team**	Patrick Green, Head of Internal Audit
Draft report issued	5 April 2016		Angela Ward, Senior Manager
Responses received	24 May 2016		Philip Church, Manager
			Luke Appleton, Internal Auditor
Final report issued	25 May 2016	**Client sponsor**	Graeme Slaughter, Chief Finance Officer, Cleveland Police
			Michael Porter, PCC's Chief Finance Officer and Deputy Chief Executive
		Distribution	Kate Rowntree, Executive Staff Officer

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1 EXECUTIVE SUMMARY

1.1 Background

Cash

A random cash spot check was undertaken at the Redcar (Kirkleatham) and Hartlepool headquarters as part of the approved internal audit plan for 2015/16.

Cash seized from operations or found cash is placed into sealed evidence bags by the responsible Officer and the bag is noted with the: details of the case, date, Officer's name and collar number and amount of cash. Each Officer is responsible for the recording of the cash onto IRIS by allocating a 'P' number and then ensuring that it is stored appropriately. Property is initially stored at the Local Policing Area (LPA) and subsequently transferred centrally to Middlesbrough Station unless there is an operational need to retain it at the LPA.

If cash is brought into the station out of hours, then it is held in the Response Inspector's safe at one of the four Local Policing Authorities (LPAs) and the details are recorded manually into a record book and signed by the Response Inspector. Access to this safe is restricted to the Sergeant on duty. Cash is sent to the Central Cash Team on an ad-hoc basis and the record is signed to reflect the collection. The IRIS system is then updated by the Central Cash Team to reflect that the cash collected is now held in the centralised Middlesbrough cash store.

It is the responsibility of the Response Inspectors to ensure that the cash records are accurate and that the cash is sent to the centralized cash store on a regular basis.

The Redcar and Hartlepool stations have a single safe for cash storage.

1.2 Conclusion

Cash

Our review established that there were a number of well-designed controls and testing confirmed that these controls were correctly and consistently applied, in particular:

- Controls were in place to ensure that where cash had been counted, the amount was noted on the evidence bag and this was recorded on IRIS.
- All evidence bags containing cash had been sealed and the seal was noted with the Officer's collar number as well as being signed by the Officer.
- Audits of all cash held at the Redcar and Hartlepool Headquarters are carried out on a weekly basis by the Response Inspector, in conjunction with the Business Support Team Leader.
- Cash stored had not exceeded the safe insurance limits at both Headquarters.
- Cash removed for evidence purposes had been recorded on the manual records along with the Officer's details who had removed the cash. Return of cash to the safe, where applicable, was monitored by weekly audits carried out by the Response Inspectors.
- The keys to the safe are held securely by the on duty Sargent and a handover occurs at the end of the shifts.

However, we identified the following areas where the control framework was not being adhered to:

- The manual safe contents log book was not able to be located in the safe at the time of the audit at Hartlepool.
- An additional cash item and wallet combined was located at Redcar and this was not included on the IRIS report. According to the previous system reports and log book this had been removed from the safe and relocated upon inspection of the safe this was found to be present.

1.3 Additional information to support our conclusion

Area	Agreed actions		
	Low	Medium	High
Cash	-	1	-
Total	**-**	**1**	**-**

2 ACTION PLAN

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Management action	Implementation date	Owner responsible
Area: Cash					
Reconciliation of cash to underlying records					
1	The manual record book was not able to be located at Hartlepool. At Redcar an item was included in the safe which was not listed on the IRIS report. IRIS recorded this as being removed to another location.	Medium	Hartlepool will ensure that the manual safe records are maintained and held in the safe at all times. Redcar and Cleveland Headquarters will ensure that cash items held in the safe are recorded accurately on IRIS.	End of May 2016	T/Insp Paul McConnell, IRT Inspector

3 DETAILED FINDINGS

3.1 Cash

3.1.1 Reconciliation of cash to underlying records

We reviewed the manual records at each LPA and reconciled these to the IRIS system and identified the following:

Redcar Headquarters

- Review of a report from IRIS showing the cash items expected to be in the safe identified that one item was expected to be found. On review of the manual Safe Register maintained by the Response Inspector confirmed that in this one case it reconciled.
- However upon review of the safe we noted that there was one additional item (a wallet and cash) which was included in the safe. Review back to the manual register and IRIS established that this had been relocated however this had not been removed from the safe.

Hartlepool Headquarters

- Review of the IRIS report at the Hartlepool LPA identified that no items were expected to be in the safe. On review of the safe it was found that there were no cash items held in the safe. It was noted that the manual contents records for the safe could not be located at the time of the audit and as a result testing back to the manual Safe Register could not be completed.

We also reconciled the IRIS system to the safes for a sample of five cases at both LPAs and identified the following:

Redcar Headquarters

- Of the one item as per IRIS, this was found within the safe. However on review of the safe an additional item was found upon review back to the manual register and IRIS established that this had been relocated however this had not been removed from the safe.
- For the one item in the safe the 'P' number on the bag matched the number recorded on the IRIS report.
- Review of the IRIS report identified that the amounts locations was detailed.
- In the one case the value of the cash recorded on IRIS agreed to the actual amount stored in the safe, with the exception of the additional item found present in the safe.

Hartlepool Headquarters

- Review of the IRIS report at the Hartlepool LPA identified that no items were expected to be in the safe. On review of the safe it was found that there were no cash items held in the safe.
- As no items were found in the safe or were recorded on the IRIS report no further testing at this LPA was conducted.

There is a risk that cash and non-cash items could be misplaced if not recorded correctly on IRIS leading to financial loss for the Force.

Management Action (Medium)
Hartlepool will ensure that the manual safe records are maintained and held in the safe at all times. Redcar and Cleveland Headquarters will ensure that cash items held in the safe are recorded accurately on IRIS.

3.1.2 Monthly safe audits

- Evidence was reviewed to confirm weekly safe audits had been carried out by the Response Inspectors of all cash held at the Redcar and Hartlepool LPAs for December 2015 to March 2016.

- Upon review of five weekly audits carried out since quarter three, it was confirmed that any discrepancies arising from the audits had been investigated and rectified as soon as possible as the majority of items did not appear on the following report. One item did remain on the Redcar report, the Nike wallet and cash" however this was raised as an issue in 3.1.1.

3.1.3 Access to the safe and insurance limits

We confirmed at both LPAs access to the safe could only be gained through use of a key that the Sergeants hold on their person.

Discussions with the Inspector at both LPAs and review a briefing note from the Force identified that Sargent's hand over the key at the end of a shift.

The Insurance Policy was reviewed that was valid from June 2015 and it specified that the maximum amount that can be stored in the safes at the Redcar and Hartlepool Stations was £3,000 and £1,000 respectively.

Review of the sample of weekly safe audits selected in 3.1.2 confirmed that in all cases the safe did not contain £3,000 or £1,000 respectively.

3.1.4 Removal of cash from the safe

During the audit we were unable to generate a report at either station on items removed from the safe and this was due to lack of staff expertise however selection of a sample of five removals at both Redcar and Cleveland and Hartlepool headquarters confirmed that the cash had been signed out by an Officer or Inspector.

In the three cases at Redcar and Cleveland Headquarters and the one case at Hartlepool Headquarters where the cash had been returned to the customer, we could not confirm whether a receipt had been requested from the owner as they were retained by the officer issuing the cash and subsequently held at the Middlesbrough Central Cash Store. Issuing of receipts was covered as part of the visit to Middlesbrough Central Cash Store.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied. The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review	Areas considered as part of this review
To ensure that seized cash is received, handled, managed and disposed of in a clear and transparent manner and effectively recorded on the IRIS Property System, in compliance with the Effective Management of Property in Police Possession Guidance.	**Cash** Reconciliation of cash to underlying records Monthly Safe Audits Banking of Cash Access to the Safe and Insurance Limits Removal of cash from the safe

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

This was a review which aimed to identify gaps and provide advice on the organisation's process for holding cash at Redcar and Cleveland and Hartlepool Headquarters and identify areas for improvement. When planning the assignment, the following areas for review and limitations were agreed:

This audit has reviewed the following areas:

- Reconciliation of the cash recorded on the IRIS system to cash records held by the Response Inspector.
- Spot check of the cash actually held in the safes to confirm that they agreed to the IRIS system and the Response Inspector's records.
- Review of the performance of safe audits each month.
- Review of whether the cash held in the safe exceeded the safe insurance limits.
- Consideration of access to the safe to confirm that this was restricted to authorised staff.
- Review of the process for cash 'removed' from the safe to confirm that it had been signed off appropriately and a signed receipt issued, where appropriate.

Limitations to the scope of the audit assignment

- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

- All testing was completed on a sample basis from transactions in the current financial year and therefore we have not confirmed that all transactions were legitimate or valid or that policies and procedures had been complied with in all instances.

- Banking of cash was not covered as part of the scope as only the Middlesborough Central Station banks cash.

FOR FURTHER INFORMATION CONTACT

Patrick Green, Head of Internal Audit

Patrick.Green@rsmuk.com

Tel: 07768 807469

Angela Ward, Senior Manager

Angela.Ward@rsmuk.com

Tel: 07966 091471

Philip Church, Manager

Philip.Church@rsmuk.com

Tel: 07528 970082

rsmuk.com

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