POLICE AND CRIME COMMISSIONER FOR CLEVELAND AND CHIEF CONSTABLE OF CLEVELAND

Seized Cash Spot Checks – Middlesbrough and Stockton

FINAL

Internal Audit Report: 1.16/17

13 July 2016

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

RSM

CONTENTS

1 Executive summary 2
2 Action plan 4
3 Detailed findings 5
APPENDIX A: SCOPE 9
APPENDIX B: FURTHER INFORMATION 11
For further information contact 12

Debrief held	09 June 2016	**Internal Audit team**	Dan Harris, Head of Internal Audit
Draft report issued	21 June 2016		Angela Ward, Senior Manager
Responses received	12 July 2016		Philip Church, Manager
			Luke Appleton, Internal Auditor
Final report issued	13 July 2016	**Client sponsor**	Graeme Slaughter, Chief Finance Officer
			Jo Gleeson, Strategic Finance Manager
		Distribution	Kate Rowntree, Executive Staff Officer

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at http://www.icaew.com/en/members/regulations-standards-and-guidance.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is solely for the use of the persons to whom it is addressed and for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 EXECUTIVE SUMMARY

1.1 Background

Cash

A random seized cash spot check was undertaken at the Middlesbrough and Stockton Headquarters as part of the approved internal audit plan for 2016/17.

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.

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 Cash Team Leader and the centralised Cash Team to ensure that the cash records are accurate and that the cash is banked on a regular basis.

1.2 Conclusion

Cash

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

- Controls were in place to ensure that where seized cash had been counted, the amount was noted on the evidence bag and this was recorded on IRIS.
- All evidence bags containing seized cash had been sealed and the seal was noted with the Officer's collar number as well as being signed by the Officer.
- Monthly safe audits were carried out by the Business Support Manager of all cash stored in the Central Cash Store.
- Audits of all cash held at the Middleborough Inspector Safe and Stockton 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.
- All amounts banked, matched the amounts noted on the Business Support Manager's records and banking was carried out by two members of staff.
- Cash banked had not exceeded the safe insurance limits.
- Access to the safes was well controlled and restricted only to appropriate staff.

RESTRICTED

- 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 seized 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 Sergeant 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:

- Description details had not been recorded accurately on IRIS in all cases sampled.

- Three cash items at the Stockton Headquarters safe could not be located in the safe which were included on the IRIS report. In one case the amount had been returned back to the owner and the location had not been updated on the IRIS system. In the two remaining cases these had been signed out of the safe but not updated on IRIS.

  The Response Inspector had chased up the Officer who had removed the two items however he was currently on leave at the time of the audit.

1.3 Additional information to support our conclusion

Area	Agreed actions		
	Low	Medium	High
Seized Cash	-	2	-
Total	**-**	**2**	**-**

RESTRICTED

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 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: Seized Cash					
Reconciliation of cash to underlying records					
3.3.1	A description of the item had not been recorded accurately on IRIS.	Medium	A reminder will be sent to all of the Southside Sergeants / Inspectors ensuring that they Supervise items being placed into the safe and remind Officers to book them onto IRIS.	End July 2016	Scott Cowie, Acting Ch/Insp, IRT Southside
	For a sample of ten items shown within IRIS as held in the Response Inspector's safe at Stockton, three items were not located within the safe.	Medium	A reminder will be sent to all of the Northside Sergeants / Inspectors to ensure that all cash items are recorded accurately on IRIS when they are removed from the safe.	End July 2016	Emily Harrison, Ch/Insp IRT Northside

3 DETAILED FINDINGS

3.1 Seized 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:

Middlesbrough Headquarters

- Of the 105 cases as per the IRIS report we confirmed in all cases that these were found in the safe.
- For the 105 bags found in the safe we confirmed in all cases the 'P' reference number on the bag matched the reference number on IRIS.
- Review of the IRIS report confirmed in all 105 cases that the cash amounts location was detailed and confirmed to be present in the safe.
- In 93 cases we confirmed that the value of the cash recorded on the IRIS system report agreed with the actual amount stored in the safe or a description stating why the amount had not been counted. In 12 cases we noted that on the IRIS report no description had been detailed; however through review of the 12 bags we confirmed that a description had been included on the evidence bag.

Management Action (Medium)
A reminder will be sent to all of the Southside Sergeants / Inspectors ensuring that they Supervise items being placed into the safe and remind Officers to book them onto IRIS.

A review of the cash held in the Response Inspector's safe was undertaken and checked back to IRIS records, the following was noted:

- In one case, as per the IRIS report, we confirmed that this item was found in the safe with a matching description and 'P' number to the IRIS report.
- Through observation, we confirmed that the Response Inspector's safe at the Middlesbrough Station was empty on the day we visited. We were advised that it is emptied on a daily basis by a member of the Centralised Cash Team and cash is stored centrally and this is updated on IRIS.

Stockton Headquarters

- Review of the IRIS report at the Stockton Headquarters safe identified that there were ten items expected to be located within the safe at the time of the audit. Upon review of the safe it was noted that only seven items could be located.

RESTRICTED

- Upon review of the manual safe register we confirmed in seven of the ten cases that these items location was accurately recorded as in the safe. In the remaining three cases the IRIS report showed the item's location as the safe however the manual record had evidence to indicate that the items had been signed out.

  Discussions with the Response Inspector confirmed that in one of the cases the item had been returned to the owner and this had been noted on the IRIS system, however the location had not been updated by the Officer. We were informed that this would be completed by the Officer.

  In the remaining two cases the Response Inspector informed us that these had been signed by a member of CID but not updated on the IRIS system to reflect this. We noted that the Inspector had identified these discrepancies during his safe review and had taken action to find out why IRIS had not been updated and to the location of the items. At the time of the audit the member of CID was currently on annual leave and as a result no confirmation could be obtained.

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

Management Action (Medium)
A reminder will be sent to all of the Northside Sergeants / Inspectors to ensure that all cash items are recorded accurately on IRIS when they are removed from the safe.

We were unable to undertake a full reconciliation of the amount of cash within the safe to records as the amounts were not always noted on the bag. The reason being that the cash may be contaminated or be required for testing or fingerprinting at a later date and therefore was not necessarily counted by the Officer upon being bagged. Discussions with the Business Support Team Leader identified that counting the cash was not always possible as a requirement of forensic investigation and the agreed procedure was to not open the bags the cash was stored in.

It was noted that the cash bags had all been sealed; the seals contained the Officer's signature and collar number and appeared not to have been re-opened or tampered with.

3.1.2 Monthly / weekly safe audits

Evidence was reviewed to confirm weekly safe audits had been carried out by the Response Inspectors of all cash held at the Stockton and Middlesbrough safes since the start of the financial year.

Evidence was reviewed to confirm monthly safe audits had been carried out by the Business Support Team Leader of all cash held at the Middlesbrough Central Cash Store for April and May 2016. Review of the monthly audits carried out since April confirmed that no discrepancies had been identified.

Evidence was reviewed to confirm weekly safe audits had been carried out by the Response Inspectors of all cash held at the Stockton safe since the start of the financial year, with evidence of investigation and correction of any issued identified.

RESTRICTED

3.1.3 Monthly / weekly safe audits

Through review of five seized cash banking sheets for the year we confirmed in all five cases that these were signed and reviewed and did not exceed £10,000.

Through review of two found cash banking sheets for the year we confirmed in all two cases that these were signed and reviewed and did not exceed £10,000.

Seized and found cash was not always banked on a weekly basis as there were not always funds to be banked.

The last seven instances of banking of seized and found cash were tested and we concluded that in all cases the banking had been performed by two members of staff.

A petty cash float is only held centrally at Middlesbrough Headquarters and this is controlled by the Central Cash Team. Through review of the Petty Cash reconciliations we confirmed that a reconciliation had been conducted in March, April and May 2016, with each figure reconciling and all had been signed as reviewed. In all cases we confirmed that the float had been maintained below the £10,000 upper limit and was restored on a regular basis.

A spot check of the petty cash confirmed that it reconciled to the amount as per Imprest which at the time of the audit stood at £47,000.

Through review of five petty cash claims for the year we confirmed in all five cases that the claim was authorised by an Inspector level rank, the collar number of the claimant was recorded and the form was signed to evidence receipt of the cash

3.1.4 Access to the safe and insurance limits

Through discussions and observation of where the safes were kept, we confirmed that access to the safes was restricted to: the Business Support Team Leader and two Cash Assistants and Enquiry Desk Team Leader, via a digital lock. We were advised by the Business Support Team Leader that the code will be changed on a six monthly basis going forward and review of their calendar confirmed a reminder had been set. It was noted that after the audit the Business Support Team Leader was changing roles and as such the codes would be changed to remove the Business Support Team Leader's access.

Access to the building was gained through the use of a security card, which had restricted access depending on job roles. The keys to the Response Inspector safes were held in a locked cabinet within the office at both sites and access was only granted to appropriate on duty staff.

The Insurance Policy was reviewed that was valid from June 2015 to June 2016 and it specified that the maximum amount that can be stored in the safes at the Middlesbrough and Stockton Stations was £50,000 and £3,000 respectively.

The cash bags held in the central cash store had not all been noted with the amount due to the fact that at times counting of cash is not always possible, therefore we were unable to confirm that the cash held in the safe, at the time of our audit visit, was within the safe insurance limits.

Review of the sample of weekly safe audits selected in 3.1.2 confirmed that in all cases the cash amounts which were recorded within the safe that these did not breach the safe insurance limits.

RESTRICTED

3.1.5 Removal of cash from the safe

A report was obtained from IRIS showing that 31 items had been removed from the safes since the start of the financial year. Upon review of each of the 31 cases on IRIS, we confirmed that the due date for the item to be returned to the safe had not yet been reached in 28 cases and in the other three cases the amounts had been disposed of.

The Business Support Team Leader confirmed that if an item was due to be returned to the safe, this would be picked up as part of their monthly audits. Monthly audits were tested at 3.1.2 above and we concluded sufficient arrangements were in place and being followed.

RESTRICTED

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 IRIS.	**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

Areas for consideration:

This was a review which aimed to identify gaps and provide advice on the Force's process for holding seized cash at Middlesbrough and Stockton 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 seized cash recorded on the IRIS system to seized cash records held by the Response Inspector.
- Spot check of the seized 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 banking records, the frequency of banking and amounts banked.
- Review of whether the seized 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 seized cash 'removed' from the safe to confirm that it had been signed off appropriately and a signed receipt issued, where appropriate.

RESTRICTED

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 only covered as part of the scope as only the Middlesbrough Central Station banks cash.

RESTRICTED

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Laura Bowden, Business Support Team Leader
- Helen Turner, Operational Support Team Leader

Documentation reviewed during the audit:

- IRIS system reports
- Petty cash claim
- Petty cash reconciliations
- Seized and found cash banking sheets
- Insurance Policy
- Weekly safe audits

RESTRICTED

FOR FURTHER INFORMATION CONTACT

Dan Harris, Head of Internal Audit

Tel: 07792 948767

Daniel.Harris@rsmuk.com

Angela Ward, Senior Manager

Tel: 07966 091471

Angela.Ward@rsmuk.com

Philip Church, Client Manager

Tel: 07528 970082

Philip.Church@rsmuk.com

RESTRICTED

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM and Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved