



# THE CHIEF CONSTABLE OF CLEVELAND

## Seized Cash Spot Checks

Internal audit report 12.20/21

FINAL

22 February 2021

Official Sensitive

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

## Why we completed this audit

We have completed a review of the Chief Constable of Cleveland's seized cash handling processes with the intention of ensuring that seized cash is received, handled and managed in a clear and transparent way and accurately recorded on the Niche system. Our review has considered the Force's compliance with seized cash processes, including processes in place for counterfeit, foreign and damaged / chemically treated cash items.

The Central Cash Team (CCT) are responsible for the management of the Force's seized cash. The Central Cash Team and Enquiry Desk Team Leader has developed a full cash process mapping document, which includes processes on but not exclusive to seized cash, counterfeit cash and BACS repayments. The organisation operate seized cash procedures in line with the Proceeds of Crime Act 2002.

The Force have safes in four local policing areas (LPA): Hartlepool, Middlesbrough, Stockton and Kirkleatham. The LPA at Kirkleatham has been recently reinstated on 1 October 2020. The CCT conduct regular audits at each LPA location and compare stored cash within each safe with Niche system records. Where discrepancies are identified, actions are taken with individual officers to ensure that the accurate completion of full cash processes is reiterated.

Seized cash is transported from each LPA by at least two members of the CCT following completion of the LPA audits to the CCT office safes. Niche records are updated to confirm cash transportation and subsequent locations once the cash is stored within the CCT office safes. As part of our review, we have conducted spot checks at each of the LPA locations and at the CCT office.

Any seized cash required for banking is counted by two members of the CCT and the Force use G4S cash collection services to transport cash items for banking. The Treasury Department are responsible for managing seized cash within the Force's bank accounts. There are two accounts relevant for this audit: the seized cash account and the proceeds of crime account. Reconciliations are completed of both on a monthly basis by the Treasury Manager and reviewed by the Strategic Finance Manager.

## Conclusion

Our review confirmed that cash processes in respect of seized cash management, including counterfeit, foreign and damaged / chemically treated cash items are thoroughly managed by the Force's CCT. The CCT complete regular audits at each LPA location and follow up on discrepancies, as appropriate, to ensure that Niche system records are updated to reflect each cash item's current location prior to transportation to the CCT.

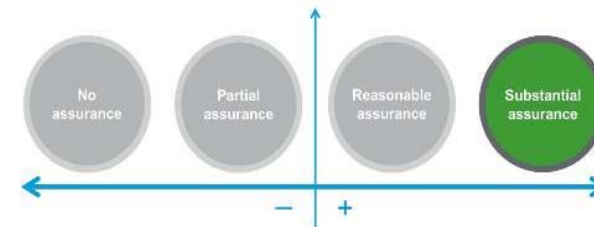
Our spot check of the CCT office safes verified that all seized cash items have been well-managed and Niche records are well maintained by the CCT.

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### Internal audit opinion:

Taking account of the issues identified, the Chief Constable of Cleveland can take **substantial assurance** that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.

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## Key findings

**Our audit identified the following exceptions with the Force's established control framework resulting in two medium priority management actions:**



We conducted a spot check of seized cash stored at LPA safes at Hartlepool, Kirkleatham, Stockton and Middlesbrough on 2 February 2021. Only three cash items were recorded on the Niche system (two at Stockton and one at Middlesbrough); however, our spot check of the Middlesbrough LPA safe identified two cash items stored in the safe. The additional cash item was logged in the wrong location on the Niche system as 'general property' rather than 'cash'.

As there were minimal cash items available for review on the day of our spot check, we considered findings of regular LPA safe audits conducted by the Central Cash Team (CCT). Discrepancies identified in regular audits suggest there is a training need for cash procedures (see Appendix B for regular audit findings). Where seized cash handling is not conducted in accordance with Force procedures, there is a risk that the Force may be liable for penalties in respect of poor cash property management. **(Medium)**



The CCT conduct regular LPA safe audits and two members of the CCT transport cash between the LPAs and CCT office safes. We verified cash safe register records and Niche system were thoroughly updated to confirm the transportation of cash. Cash processes state that cash is transported between LPAs and the CCT office by two members of the CCT up to the value of £6,000. Officers must transport any cash that exceeds this value. However, review of the Force's cash insurance policy with American International Group (AIG) identified that cash in transit is insured for £1,000 only.

Where the Force do not have adequate insurance in place to cover the transportation of cash from LPAs to the CCT office, the Force may not be covered in the event of a claim and therefore could be liable for penalties in respect of its cash property management processes. **(Medium)**

For details of low priority management actions, see section two of this report.

**Our audit review also identified that the following controls are suitably designed, consistently applied and are operating effectively:**



There were 242 cash items located in the CCT safes on the Niche system on 3 February 2021. We reconciled all 242 cash items to the Niche report and verified that each cash item was contained in a sealed evidence bag with P number recorded. There were no further cash items held in the cash safes in the CCT office.



We selected 40 items of the 242 cash items located in the CCT safes on 3 February 2021 for detailed review on the Niche system. The sample comprised of general seized cash items, counterfeit and foreign cash items. For all 40 cash items, details on evidence bags reconciled with Niche system records.



We selected five counter cash items sent to the National Crime Agency (NCA) via recorded delivery. In all five cases, we verified that there was a completed NCA form recorded on the Niche system and an Occurrence Enquiry Log (OEL) entry on Niche to confirm the counterfeit cash was issued to the NCA. All five records included detail of the postal tracking references, which reconciled with the CCT records.

Three of the counterfeit cash items were disposed on Niche in line with cash handling processes, which state that items should be disposed of on Niche if not returned by the NCA three months from the sent date. The remaining two items had not yet passed this due date.



Five damaged or chemically treated cash items were selected. In all five cases, cash items were issued to the Bank of England (BoE) or Clydesdale Bank for repatriation and we verified through review of seized cash reconciliations and banking records that all five repatriation amounts were received for the correct value. Supporting repatriation documentation was available in four cases. In the final case, the Force are awaiting the repatriation documentation from BoE. In all five cases, Niche records were appropriately updated.



We received the monthly LPA audit tracker maintained by the CCT. The tracker documents discrepancies noted at each LPA and actions taken. Cash items are transported from the LPA to the CCT safes. We reconciled January 2021 seized cash items reviewed at LPA audits, comprising of 36 items in total. 27 of these items were currently held in the CCT cash safes and the remaining nine items had been banked. Niche records for all 36 items had been updated to support this.



Safe register records held on site at each LPA corroborated LPA audit records. A sample of six actions taken as a result of LPA audit discrepancies were selected from January 2021. In all six cases, we confirmed actions were taken as documented by the CCT, and Niche OEL records or email confirmation was available on file to verify actions taken.



The CCT conduct monthly reconciliations of cash items held within the CCT office cash safes. Any discrepancies identified are recorded in a tracker document. We requested monthly reconciliations completed in November, December 2020 and January 2021. For records on January 2021, we reconciled all items to current Niche records or seized cash banking records.



The CCT maintain a G4S collection banking record to confirm cash collections for banking. We selected five cash items in pound sterling and two additional cash items in euro from the G4S banking records. For each banking record, we verified two members of the CCT counted cash and signed to confirm the count on a banking sheet. G4S receipts were retained on file to support each collection with P numbers documented. Niche records verified that cash items had been banked.

We traced each payment to the Force's bank account. In all cases, the Treasury Team had posted the items into the seized cash or proceeds of crime bank account. However, for one cash item, we noted that the amount recorded by the CCT was £10 less than the amount banked. This was noted in the Treasury Team's reconciliation and a note recorded. We therefore selected a further 10 samples from the CCT G4S collection records. There were no further discrepancies and therefore we have not raised an action.



For September to December 2020, we verified that bank reconciliations were completed for both the proceeds of crime account and seized cash accounts for each month. Reconciliations were completed by the Treasury Manager and reviewed and approved by the Strategic Finance Manager.



The Force have increased insurance cover for seized cash held in the CCT safes to cover £1 million. Insurance was increased effective from 4 November 2020 as the Force hold a high level of seized cash, particularly given the Force's informal agreement with NERSOU (North East Regional Special Operations Unit) whereby the Force hold cash on behalf of its NERSOU partners, Durham Police and Northumbria Police.

Cash is not counted prior to banking and therefore we could not confirm the total value of cash held in the CCT safes.



Our review confirmed that access to cash safes at the four LPA (Middlesbrough, Hartlepool, Stockton and Kirkleatham) is appropriately restricted. We further verified that cash held in the CCT is appropriately restricted with sufficient access restrictions in place, including digital pad entry to the office, key press or coded safes and reflective film on the windows in the office.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Seized Cash Spot Check		
<b>Control</b>	Seized cash held in LPA safes at Hartlepool, Kirkleatham, Stockton and Middlesbrough are reconciled to cash records on the Niche system by the Central Cash Team on a minimum monthly basis.  The results of the audits undertaken by the Central Cash Team are reported and escalated where necessary.	<b>Assessment:</b>
		<b>Design</b> ✓ <b>Compliance</b> x
<b>Findings / Implications</b>	<p><b>Local policing area (LPA) audit</b></p> <p>We conducted spot checks at the LPA safes at Hartlepool, Kirkleatham, Stockton and Middlesbrough with the Central Cash Team and Enquiry Desk Team Leader on 2 February 2021.</p> <p><b>Hartlepool / Kirkleatham</b></p> <p>Niche reports were extracted for both locations at the time of the spot check and there were no current cash records logged at either location. Both locations were last audited by the CCT on 28 January 2021 and cash transported to the CCT office safes. There were no items stored in the safes which corroborated with Niche reports. Safe register records were up to date and reconciled with audit records.</p> <p><b>Stockton</b></p> <p>Two cash items were recorded in the Stockton LPA cash safe location at the time of the spot check. Review of the safe corroborated Niche system records with both items present and no further items stored in the safe. We verified that both cash item bags were correctly labelled, including P number, and reconciled with Niche records. Safe register records were up to date. No issues were recorded.</p> <p><b>Middlesbrough</b></p> <p>There was one cash item recorded in the Middlesbrough LPA cash safe on Niche at the time of the spot check. However, two cash items were present in the safe. Register records on site confirmed two cash items were stored in the safe. Review of Niche identified the additional cash item was logged into 'general property' rather than the cash safe. The issue was rectified on Niche during our spot check and the Central Cash Team and Desk Enquiry Team Leader logged a task with the relevant officer's supervision on the Occurrence Enquiry Log (OEL) in Niche. No further discrepancies were noted.</p> <p>We verified that the CCT conduct regular audits to identify compliance issues with seized cash procedures. The last audits conducted at each location by the CCT at the end of January 2021 identified the following accuracy percentage rates at each location:</p>	

## Area: Seized Cash Spot Check

LPA	Total items	Accuracy %
Kirkleatham	4	100%
Middlesbrough	16	81%
Stockton	15	53%
Hartlepool	10	91%

Although we have only noted one discrepancy in our seized cash spot check, cash levels within the safes were minimal at the time of the audit. Review of previous LPA audits suggest a potential training need for officers (see Appendix B for previous results). The CCT and Enquiry Desk Team Leader has raised a training request for officers on new seized cash procedures with the Training Department; however, no response has been received.

We understand that any issues identified in regular LPA audits (with potential training requests) would be escalated through the Property User Group; however, the Property User Group have not met over the previous 12 months. The CCT therefore do not have a vehicle to escalate issues or requests for training.

Where seized cash handling is not conducted in accordance with Force procedures, there is a risk that the Force may be liable for penalties in respect of poor cash property management.

<b>Management Action 1</b>	The Force will look to reinstate the Property User Group meetings to ensure the Central Cash Team have a mechanism to report issues and escalate concerns in relation to seized cash.  Once reinstated, the request for additional training will be escalated to the Property User Group.	<b>Responsible Owner:</b> Chief Superintendent Local Policing	<b>Date:</b> 31 July 2021	<b>Priority:</b> Medium
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## Area: Seized Cash Spot Check

<b>Control</b>	Cash is removed from LPA safes when the CCT conduct regular audits. Cash is transported from the by two members of the CCT. Where total cash items exceed £6,000, cash is transported by a police officer to comply with insurance agreements.  Niche system records and registers are updated to confirm removal of cash from LPA safes to the CCT office safe.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
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## Area: Seized Cash Spot Check

<b>Findings / Implications</b>	<p>We reviewed the safe registers at four LPAs for the previous three months and verified registers were updated when CCT audits had been conducted and cash removed from the safe.</p> <p>New processes require that transportation of cash items is thoroughly recorded on Niche. All Niche records for cash items present in the CCT safes were updated in October 2020 to reallocate their location on Niche from the former 'Steria Central Cash Store' location to the new 'CCT Central Cash Safe' location in accordance with the change of staffing from Sopra Steria to the Force. Of the 40 cash items reviewed in the CCT safes, 18 items were present in the CCT safes prior to October 2020 and had been reallocated to 'CCT Central Cash Safe' location in October 2020. For the remaining 22 cash items (moved to CCT from October 2020 onwards), Niche records confirmed how the cash had been transferred to the CCT safes.</p> <p>The CCT and Enquiry Desk Team Leader conducts regular audits of LPA safes and is accompanied by the Operational Support Manager for cash transportation purposes. It was explained that insurance was in place to cover the transportation of cash items up to £6,000 by the CCT. Where cash exceeds this value, an officer would transport cash instead for insurance purposes and Niche records are updated to reflect this.</p> <p>However, a review of the Force's insurance policy with American International Group (AIG) identified that cash in transit is currently insured for £1,000 only. The Risk and Insurance Manager had not been made aware of changes to processes and therefore the policy had not been updated to reflect the transportation of high cash values.</p> <p>Where the Force do not have adequate insurance in place to cover the transportation of cash from LPAs to the CCT office, the Force may not be covered in the event of a claim and therefore could be liable for penalties in respect of its cash property management processes.</p>			
<b>Management Action 2</b>	The Risk and Insurance Manager will contact American International Group to update the insurance policy to increase the value of cash insured in transit to reflect current processes.	<b>Responsible Owner:</b> Risk and Insurance Manager	<b>Date:</b> 30 April 2021	<b>Priority:</b> <b>Medium</b>



## Area: Seized Cash Spot Check

Control	Repayments of banked seized cash are approved and processed in a timely manner. The CCT prepare repayment files where banked seized cash is due for repayment.	Assessment:		
		Design	✓	
		Compliance	x	
Findings / Implications	We selected a sample of 13 seized cash repayments from the CCT repayment spreadsheet (10 repayments were confirmed as processed and the additional three were still awaiting update from the accounts department). Of the 13, the following was noted: <ul style="list-style-type: none"><li>• All three outstanding payments had been made for the correct amount, approved and posted on the general ledger. Review of remittance advices verified these payments were paid in a timely manner;</li><li>• All 13 repayments and supplier additions were approved by the Head of Finance and Payroll; however,</li><li>• Review of the remittance advices for all 10 repayments identified that four payments had not been made in a timely manner (three having missed one Thursday BACS payment run and the remaining payment having missed two BACS runs).</li></ul> Where repayments are not made in a timely manner, the Force may not be executing good customer service and those awaiting repayment are financially impacted.			
Management Action 3	The Force will ensure that repayments of seized cash are processed in the earliest possible BACS payment runs.	Responsible Owner: Head of Finance and Payroll	Date: 30 April 2021	Priority: Low

## APPENDIX A: CATEGORISATION OF FINDINGS

### 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 following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Seized Cash Spot Check	0	(10)	3	(10)	1	2	0
<b>Total</b>					<b>1</b>	<b>2</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## APPENDIX B: CENTRAL CASH TEAM REGULAR LOCAL POLICING AREA SAFE AUDIT FINDINGS

The Central Cash Team (CCT) conduct regular audits at each local policing area (LPA): Kirkleatham, Middlesbrough, Stockton and Hartlepool. Discrepancies between the Niche system are recorded for each audit with actions taken into an audit tracker. We have reviewed the audit tracker and noted the discrepancies noted for each month in the below table. Two audits were conducted in January 2021 by the CCT. No audits were conducted in November 2020 due to the month-long lockdown; however, permission to conduct cash LPA audits was granted for December 2020 onwards.

LPA	Date of audit	Total items	Accuracy %
Kirkleatham	January 2021 (second audit)	4	100%
	January 2021 (first audit)	8	88%
	December 2020	0	-
	October 2020	0*	-
Middlesbrough	January 2021 (second audit)	16	81%
	January 2021 (first audit)	0	-
	December 2020	7	86%
	October 2020	0	-
Stockton	January 2021 (second audit)	15	53%
	January 2021 (first audit)	14	100%
	December 2020	14	50%
	October 2020	24	83%
Hartlepool	January 2021 (second audit)	10	91%
	January 2021 (first audit)	4	75%
	December 2020	5	60%
	October 2020	5	60%
<b>LPA average accuracy</b>		<b>126</b>	<b>77.25%</b>

\* Kirkleatham LPA was brought online from 1 October 2020 – no audits were conducted prior to this date.

# APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Chief Constable of Cleveland manages the following area:

### Objective of the area under review

To ensure that seized cash is received, handled and managed in a clear and transparent way and accurately recorded on Niche.

## Scope of the review

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

### Areas for consideration:

We will undertake unannounced spot checks at Hartlepool, Stockton, Middlesbrough and Kirkleatham stations. The checks will consider the following:

- Reconciliation of the seized cash recorded on the Niche system to the cash held on-site to confirm the following:
  - Seized cash is held in sealed bags and details recorded on Niche including the P number.
  - Our sample will also include compliance with the Force's cash handling process for counterfeit/foreign cash, damaged/mutilated bank notes and withdrawn bank notes.
- Review of audits performed by the Force and how discrepancies identified are resolved.
- Review of banking records, the frequency of banking and amounts banked are appropriately recorded on Niche.
- Review of whether the cash held in the safe exceeds the safe insurance limits.
- Consideration of access to the safe to confirm this is restricted to authorised staff.
- Review of the process for cash 'removed' from the safe to confirm it has been signed off appropriately and a signed receipt issued, where appropriate.

**The following limitations apply to the scope of our work:**

- All testing will be completed on a sample basis from transactions in the current financial year and therefore we will not confirm that all transactions are legitimate or valid or that policies and procedures have been complied with in all instances.
- We will not review the processes or controls around exhibits. This review will focus solely on seized cash.
- We will not review the arrangements in place with Tascor.
- We will not consider seized or handled cash over £1,000 and the process in relation to proceeds of crime..
- We will not review the adequacy of transport arrangements between sites.
- 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.

Debrief held	11 February 2021
Draft report issued	19 February 2021
Revised draft report issued	19 February 2021
Responses received	19 February 2021
Final report issued	22 February 2021

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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. Actions for improvements should be assessed by you for their full impact. 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. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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

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