

THE CHIEF CONSTABLE OF CLEVELAND

Seized Cash Spot Checks

Internal audit report 11.21/22

FINAL

27 January 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

We have undertaken a review of the Chief Constable of Cleveland's seized cash handling processes with the objective of ensuring seized cash is received, handled, and managed in a clear and transparent way, including accurately recorded on the Niche system. We have therefore considered the Force's compliance with seized cash procedures, including processes in place for counterfeit, damaged / mutilated cash, and foreign currencies.

The Central Cash Team (CCT) are responsible for the management of the Force's seized cash. This includes regular audits completed at each local policing area (LPA) of Hartlepool, Middlesbrough, Stockton and Kircleatham, full audits of the CCT office safes, and ensuring the banking, repayments and repatriation of seized cash are processed accurately and efficiently. The CCT maintain thorough records of all cash movements on the Niche system and retain full supporting documentation of all transactions, as outlined within the full cash process mapping document produced by the Central Cash Team and Enquiry Desk Team Leader.

The Treasury Department are responsible for managing seized cash within the Force's bank accounts, which includes monthly reconciliations completed by the Treasury Manager and independently reviewed by the Strategic Finance Manager.

Our review included a remote spot check of the cash items stored at each LPA (Hartlepool, Middlesbrough, Stockton and Kircleatham) conducted on 11 January 2022 with the CCT and Enquiry Desk Team Leader to ensure that cash handling processes have been adequately followed. Any actions arising from regular audits are tasked to officers on the Niche system, so that timely corrections are made and discrepancies in the execution of approved Force processes are flagged. Actions arising from regular audits are then raised at the Property User Group meetings, who oversee the Force's compliance with seized cash handling procedures.

A check of the CCT office safes was also undertaken as part of this audit on 12 January 2022 with the purpose of verifying items located in the CCT on the Niche system reconciled with items present in CCT safes.

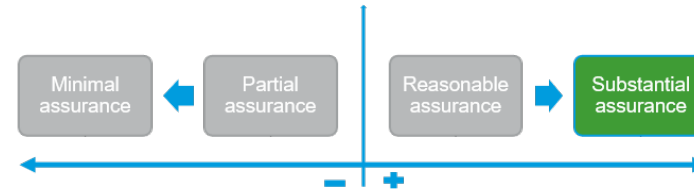
Conclusion

As a result of our review, we have agreed **two low** priority management actions, in relation to the compliance with the Force's cash handling processes. We identified discrepancies in the treatment of seized cash within the spot checks at Stockton and Middlesbrough LPAs, which is a reiteration of the findings identified as part of the RSM seized cash spot check review 2020/21. We further identified some discrepancies between the Niche system records and completeness of cash bags within the CCT safe audit on 12 January 2022; however, we noted that all cash items were present during the spot checks.

Our review has established that the CCT have thorough and well documented procedures in place to ensure that seized cash is adequately tracked and managed within the Force in a transparent manner.

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.



Key findings

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

- ✓ On 12 January 2022, there were 380 cash items located in the CCT office safes on the Niche system. A check carried out with the CCT on the 12 January 2022 confirmed that all items were present in the safes and reconciled with the records on the Niche system.
- ✓ Damaged or chemically treated cash is submitted to the Bank of England (BoE) or Clydesdale Bank for repatriation. We selected a sample of five damaged cash items listed on the CCT recorded delivery tracker and verified that the repatriation form was submitted by the CCT. Niche records were updated in all cases, including a note of each postal delivery reference.
- ✓ Suspected counterfeit cash is sent to the National Crime Agency (NCA) for testing via recorded delivery. Locations are updated on the Niche system to confirm the location of each cash item. We verified this was the case for a sample of five counterfeit cash items. Cash will be disposed of from the Niche system if not returned within three months by the NCA. For two samples, the cash items had been disposed, two remained outstanding (still within three months) and the final item was returned by the NCA with Niche records updated.
- ✓ We selected five foreign cash samples from the G4S banking sheets and verified that banking sheets were completed, items bank and collected, and the income could be evidenced in the Force's bank statements. In addition, the Force has an informal agreement in place with local charities to donate foreign seized cash that cannot be returned or is of such low denominators that it cannot be banked. We selected four of the 11 records of cash donated to Teesside Hospice and verified Niche records were appropriately updated to reflect the disposals.
- ✓ The CCT carry out monthly audits of the local policing area (LPA) safes for Middlesbrough, Stockton, Hartlepool and Kirkleatham. We received the audit workbook and noted that audits had been carried out monthly since at least January 2021. Actions taken for identified discrepancies are logged within each workbook, including a percentage of compliance with procedure at each location.

For the last three months, we requested evidence of actions taken, totalling eight individual actions, six of which could be evidenced through review of the Niche system and email evidence. In the final two cases, incident numbers which were missing were marked onto cash bags at the time of the audit and could not now be evidenced. We further noted that monthly audit results and actions are raised at the Property User Group meetings.



The CCT complete a monthly reconciliation of all items located in the CCT safes against those logged in that location on the Niche system to ensure all items are accounted for. We received the last three months' reconciliations covering October, November, and December 2021. In all three cases, reconciliations completed confirmed that all cash items logged onto Niche into the CCT were present.



The CCT maintain a G4S collection banking record, from which we selected 10 items in pound sterling and five in foreign currencies (as highlighted above). In all 15 cases, banking sheets were completed and G4S collection receipts available on file. We verified that amounts were received into the Force's central bank accounts through review of bank statements.



The seized cash holding account and bank accounts are reconciled on a monthly basis. We received the reconciliations completed by the Treasury Manager for three months (September, October and November 2021) and verified each reconciliation was reviewed and approved by the Strategic Finance Manager.



The Force has adequate insurance arrangements in place, which covers both the transportation of cash (up to £6,000 for two persons and £12,000 for three persons) and the storage of cash in Force safes of up to £1,000,000.



Access to cash safes is appropriately restricted at each LPA (Hartlepool, Kirkleatham, Stockton and Middlesbrough). Controls include manned offices, swipe card and key press access, and discreet key safes and keys.



Cash is removed from LPA cash safes by two members of the CCT when conducting monthly audits. Registers at each LPA are updated to confirm two people have transported the cash and Niche records are updated to reflect the change in location. For three months (October, November and December 2021), registers on site at each location had been updated to confirm who had transported the cash.

We selected 40 cash items from the CCT reconciliation completed on 12 January 2022, and in all cases, movement to the CCT had been logged on the Niche system.



We selected a sample of 10 repayments made and verified each cash item was appropriately disposed of on the Niche system. In all cases, repayments were supported by an approved BACS request and supplier set up form. In all cases, we received remittance advice to confirm payments had been made to the correct accounts and for the 10 items selected, payments were made in a timely manner.

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		
Control	Seized cash held on site at Hartlepool, Kirkleatham, Stockton and Middlesbrough stations reconcile to cash records on the Niche system.	Assessment:
	All seized cash is held in sealed bags and details recorded reconcile to the Niche system, including P (property) number, and stored as per procedure.	Design ✓
		Compliance ×
Findings / Implications	<p>We carried out spot checks of the cash safes at the following four LPAs with the CCT and Enquiry Desk Team Leader on 11 January 2022: Kirkleatham, Hartlepool, Stockton, and Middlesbrough.</p> <p>Kirkleatham / Hartlepool</p> <p>There were no cash records logged at either location on the Niche system at the time of the spot check and no items held in the safes during the check. Both locations had been audited by the CCT on 6 January 2022 and safe register records were up to date to confirm the safe should be empty.</p> <p>Stockton</p> <p>Two cash items were present in the Stockton LPA cash safe at the time of the spot check, and both items were checked into Stockton LPA on the Niche system. However, in one case, the cash item was stored inside a sports bag, which is not in line with procedure. Only cash items should be stored in LPA safes, and the bag should have been logged into the property store instead. It was further noted that the register was not counter signed by a Superintendent when the item was checked in, which is required by procedure.</p> <p>Middlesbrough</p> <p>Two cash items were checked into the Middlesbrough LPA on the Niche system; however, only one item was present in the safe at the time of the spot check. The item is recorded as counterfeit cash on the Niche system but was not currently in the safe and could not be accounted for. The CCT and Enquiry Desk Team Leader has issued a high importance task to the officer in charge on the Niche system.</p> <p>Where cash procedures are not followed by officers, there is a risk that cash items could be misplaced across the Force, which may affect the integrity of criminal proceedings. A medium priority management action was agreed in the RSM 2020/21 seized cash spot check audit, in which it was agreed that the Property User Group meetings would be re-instated. As the Force have re-instated the Property User Group, which enables discrepancies from regular audits to be raised and escalated, we have determined the finding of this review to be of low priority, given that regular updates on LPA audits are already presented at the Property User Group meetings.</p>	

Area: Seized Cash Spot Check

Management Action 1	The Property User Group will reflect on the findings of the report and consider the need for officer training in cash handling procedures.	Responsible Owner: Temporary Chief Superintendent	Date: 31 March 2022	Priority: Low
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Area: Seized Cash Spot Check

Control	Seized cash held in the CCT Office safes reconcile to Niche system records. All seized cash is held in sealed bags and details recorded reconcile to the Niche system, including P number.	Assessment: Design ✓ Compliance ×
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Findings / Implications	<p>Testing undertaken of the CCT safes on 12 January 2022 verified that all 380 items recorded on the Niche system were present in the CCT safes. All 380 items were contained in sealed bags with the P number documented to ensure location could be tracked against the Niche system.</p> <p>We selected a sample of 40 cash items to review in detail, including review of Niche system records and completeness of cash item bags. From the 40 cash items selected, we noted discrepancies in seven cases:</p> <ul style="list-style-type: none">• for three items, there were incident numbers missing from the evidence bag when being exhibited for SOCO (scenes of crime officer);• in two cases, the evidence bags were not fully completed, and the incident number was missing; and• for the final two cash items, the item had been incorrectly booked onto Niche as 'other' rather than as a 'cash' item. In one of these cases, where the item was seized or produced had not been completed either. <p>The CCT and Enquiry Desk Team Leader stated that any identified errors are rectified when district audit completed to make sure everything is in order, but any items which have entered the CCT not via LPA audits would not have a secondary check. The CCT and Enquiry Desk Team Leader outlined that a full audit, including reconciliation between the Niche system record details and the item details will be completed at the next CCT audit, to ensure records are up to date.</p> <p>Where discrepancies exist either on the cash item or on the Niche system, there is a risk that data integrity is not maintained and could lead to inaccurate handling of cash items.</p>
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Management Action 2	The next CCT audit will include a full reconciliation between the Niche system record details and the details present on each cash items. Discrepancies identified will be logged on the Niche system, actions taken and officers tasked, where applicable.	Responsible Owner: Central Cash Team and Enquiry Desk Team Leader	Date: 31 January 2022	Priority: Low
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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 actions		
					Low	Medium	High
Seized Cash Spot Check	0	(10)	2	(10)	2	0	0
Total					2	0	0

* 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: SCOPE

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

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the risk under review

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

We will undertake unannounced spot checks at Hartlepool, Middlesbrough, Stockton 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 21 January 2022
Draft report issued 25 January 2022
Responses received 27 January 2022

Internal audit Contacts Daniel Harris, Head of Internal Audit
Philip Church, Senior Manager
Michael Gibson, Manager
Hollie Adams, Senior Auditor

Final report issued 27 January 2022

Client sponsor Simon Hart, Chief Constable's Chief Finance Officer
Sandra Swan, Strategic Finance Manager#

Distribution Simon Hart, Chief Constable's Chief Finance Officer
Sandra Swan, Strategic Finance Manager

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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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