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| **The Police and Crime Commissioner for Cleveland and the Chief Constable Cleveland Police** |
| **Compliance Review of Seized Cash** |
| **2017/18** |

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| **Executive Summary** |

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| **OVERALL ASSURANCE ASSESSMENT** | **OVERALL CONCLUSION** |
|  | |  |  | | --- | --- | | **The Force has robust processes documented for the recording, storage and movement of seized cash, however the audit highlighted that this was not always operated.** | | |  | **Records on IRIS did not always match the safe contents at station locations.** | |  | **Non-seized cash items were found in the safes at Middlesbrough and Hartlepool during the audit.** | |  | **Robust controls and reconciliations are performed by the Central Cash team for items transferred to their responsibility.** | |
| **RATIONALE AND SCOPE** | **ACTION POINTS** |
| Rationale  This is a focus area of the Audit Committee with concerns having been raised in previous years.  Scope  The review considered the arrangements for the receiving, handling and disposal of seized cash to ensure that processes adopted by the organisation are being complied with. | |  |  |  |  | | --- | --- | --- | --- | | **Urgent** | **Important** | **Routine** | **Operational** | | **0** | **3** | **2** | **0** | |

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| **Management Action Plan - Priority 1, 2 and 3 Recommendations** |

| **Rec.** | **Risk Area** | **Finding** | **Recommendation** | **Priority** | **Management**  **Comments** | **Implementation**  **Timetable**  **(dd/mm/yy)** | **Responsible**  **Officer**  **(Job Title)** |
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| 1 | Compliance | Testing at both Stockton and Hartlepool identified that there were three items that had been removed from the safe and recorded as such in the safe register, however, IRIS had not been updated to reflect the movement of the item. | IRIS be updated at the time an item is relocated. | 2 | *Agreed. Further review of the procedures will take place and be republished to all those involved.* | *End June 2018* | *Carl Yates & Helen Tavinder* |
| 2 | Compliance | The inspector’s safes located at Hartlepool and Middlesbrough were both found to hold items other than seized cash. This included several keys, passports and medication related to potential radiation exposure. | Safe contents be restricted to seized cash only. | 2 | *Agreed. Further review of the procedures will take place and be republished to all those involved.* | *End June 2018* | *Carl Yates & Helen Tavinder* |
| 4 | Compliance | The audit identified that items that had been transferred to the Central Cash team safes were not always bagged correctly, were incorrectly recorded and sometimes included non-cash items. | Safe users be reminded of the protocols in place for the bagging and labelling of items in seized cash safes. | 2 | *Agreed. Further review of the procedures will take place and be republished to all those involved highlighting the need for all seized cash to be bagged and labelled correctly.* | *End June 2018* | *Carl Yates & Helen Tavinder* |
| 3 | Compliance | It was noted that the inspector's safe at Middlesbrough is in fact a metal filing cabinet. Whilst the cabinet was lockable, it is considered that this is not a suitable receptacle for the storage of seized cash, as it does not have the security of a safe. | The insurance requirements be reviewed to confirm that the use of a filing cabinet at Middlesbrough satisfies the policy requirements. | 3 | *A safe is to be issued to Middlesbrough to replace the lockable cabinet. This will eliminate the need to refer the current practice to the insurers for verification.* | *End May 2018* | *Jo Gleeson & Supt Sutherland.* |
| 5 | Compliance | A sample of 10 items that were recorded as 'out' on IRIS was reviewed. One item in the sample had been incorrectly recorded as being sent to The Bank of England, when it had been sent to NCA. A second item was found to have been sent to NCA but did not record a disposal date. | A periodic sample of items recorded as out be reviewed to confirm that records are being correctly maintained. | 3 | *Treasury and Central Cash Team monthly reviews to continue to eliminate the recording issues.* | *April 2018* | *Carl Yates & Helen Tavinder* |

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| **Operational Effectiveness Matters** |

| **Ref** | **Risk Area** | **Item** | **Management**  **Comments** |
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| There were no operational effectiveness matters identified. | | | |

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| **Detailed Findings** |

**INTRODUCTION**

1. This review was carried out in March 2018 as part of the planned internal audit work for 2017/18. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

**BACKGROUND**

1. Seized cash control and recording has previously been identified as an issue within the Force. There are now three locations (Hartlepool, Stockton, or Middlesbrough) that can process and store seized cash.

**MATERIALITY**

1. There were 199 seized cash items held in the safes within the Central Cash team. Actual valuation is not possible as many items are potential evidence and therefore cannot be touched and counted.

**KEY FINDINGS & ACTION POINTS**

1. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

**SCOPE AND LIMITATIONS OF THE REVIEW**

1. This is a focus area of the Audit Committee with concerns having been raised in previous years. The review considered the arrangements for the receiving, handling and disposal of seized cash to ensure that processes adopted by the organisation are being complied with.
2. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Internal Audit Plan.

**DISCLAIMER**

1. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

**RISK AREA ASSURANCE ASSESSMENTS**

1. The definitions of the assurance assessments are:

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| **Substantial Assurance** | From a review of a sample of transactions the approved policy and procedure is complied with. |
| **Reasonable Assurance** | From a review of a sample of transactions the approved policy and procedure is complied with, although the evidence to support the processing of the transactions could be more robust. |
| **Limited Assurance** | From a review of a sample of transactions the approved policy and procedure is not being continuously complied with. Significant improvements in the processing of transactions are required. |
| **No Assurance** | From a review of a sample of transactions there is a fundamental breakdown or absence of compliance with the approved policy and procedure. Immediate action is required to improve the adequacy and effectiveness of controls. |

**ACKNOWLEDGEMENT**

1. We would like to thank staff for their co-operation and assistance during the course of our work.

**RELEASE OF REPORT**

1. The table below sets out the history of this report.

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| **Date draft report issued:** | 22nd March 2018 |  |
| **Date management responses received:** | 29th March 2018 |  |
| **Date final report issued:** | 4th April 2018 |  |

1. The following matters were identified in reviewing the Key Risk Control Objective:

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| **Compliance Risk: Failure to comply with approved policy and procedure leads to potential losses.** |

* 1. 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. The value of cash seized and held can potentially run into tens of thousands of pounds.
  2. Cash that is seized by officers from or handed in to Hartlepool, Stockton, or Middlesbrough is initially held in the inspector's safe, one of which is located within each of the three station buildings. After bagging and logging, the cash is transferred to the Central Cash Team based at Middlesbrough. Cash from Hartlepool and Stockton is delivered to the Central Cash team. Staff from the central cash team collect the cash from the Middlesbrough inspector's safe as they are co-located in the same building.
  3. Previously, seized cash from Redcar and Cleveland was also initially stored in an inspector's safe, however, it is understood that due to continued issues with the recording and reconciliation of cash at this site, the option to store cash was removed. Any seized or found cash form this location is now delivered directly to the Central Cash team in Middlesbrough.
  4. Procedures are documented for the seized cash handling and storage arrangements. The procedures are in the form of flow charts that clearly show the required process and action required as well as demonstrating which role is responsible for each part of the process.
  5. Each location was visited during the audit with the inspector's safe being reviewed and reconciled at each site. The safes held by the Central Cash team were also reviewed and reconciled during the assignment.

**Stockton**

* 1. At Stockton the key for the inspector's safe was held in a locked key safe. The key to access the key safe was held personally by an officer. A report was generated from IRIS, which recorded five items being held in the safe. The following was identified:
* One item was a duplicated entry. This was corrected at the time of the visit;
* Two items recorded as being in the safe had been transferred out in the hardcopy safe register but had not been updated on IRIS; and
* There were no items in the safe other than seized/found cash.

**Hartlepool**

* 1. As with Stockton the key to the inspector's safe was held in a locked key safe with an officer holding the key to access the key safe.
  2. The IRIS report identified four items being held in the safe. The following was identified:
* Three seized cash items were held in the safe;
* One of the items was not correctly bagged and recorded no details other than the amount;
* One item recorded as being in the safe had been transferred out in the hardcopy safe register but had not been updated on IRIS; and
* The safe contained other items in addition to the seized cash, which included 45 packets of ThySat tablets (10x65mg), 11 envelopes of keys to various properties including, police, business and houses, and eight other key sets that were loose.

**Middlesbrough**

* 1. Again, the key to the safe was securely held in a key safe with an officer holding the key to access the key safe. The IRIS report identified 10 items for this safe. The reconciliation identified the following:
* There were 11 items stored in the safe of which eight had numbers recorded that accorded with IRIS.
* Two further items were recorded on IRIS with one having no location recorded and one booked as being in the transit safe;
* A further item was in the safe but was not recorded on IRIS;
* None of the items stored in the safe had been recorded in the hard copy safe register; and
* All of the items held were passports.

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| **Recommendation: 1** | **Priority: 2** |
| **IRIS be updated at the time an item is relocated.** | |

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| **Recommendation: 2** | **Priority: 2** |
| **Safe contents be restricted to seized cash only.** | |

* 1. It was also noted that the inspector's safe at Middlesbrough is in fact a metal filing cabinet. Whilst the cabinet was lockable, it is considered that this is not a suitable receptacle for the storage of seized cash as it does not have the security of a safe.

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| **Recommendation: 3** | **Priority: 3** |
| **The insurance requirements be reviewed to confirm that the use of a filing cabinet at Middlesbrough satisfies the policy requirements.** | |

**Central Cash Team**

* 1. There are three safes located in the Cash Team office. The office has restricted access by way of an electronic lock on the door and is located in an area of the building that requires a swipe card for access. The three safes were secure when the room was first accessed during the audit and this was maintained during the visit. All three safes are opened by a code, which it was noted is changed every three months.
  2. A report was generated for IRIS that recorded a total of 199 items being held across the three safes. A reconciliation was undertaken and all items were reconciled to the report and it was confirmed that there were no additional items in the safe that were not recorded on IRIS. The following matters were, however, noted:
* Three items were recorded on IRIS as knives instead of cash;
* One item included a wallet which is classed as property and should not be held in the safe; and
* Some items were held in paper envelopes and not in sealed plastic bags. Whilst they were not evidential material they are being held in a format that could be easily tampered with.

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| **Recommendation: 4** | **Priority: 2** |
| **Safe users be reminded of the protocols in place for the bagging and labelling of items in seized cash safes.** | |

* 1. A sample of 10 items that were recorded as 'out' on IRIS was reviewed. One item in the sample had been incorrectly recorded as being sent to The Bank of England, when it had been sent to NCA. A second item was found to have been sent to NCA but did not record a disposal date.

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| **Recommendation: 5** | **Priority: 3** |
| **A periodic sample of items recorded as out be reviewed to confirm that records are being correctly maintained.** | |

* 1. Monthly reconciliations of the seized cash held by the Central Cash team are undertaken. A review of the documentation held for the four months prior to the audit visit were reviewed. In each case the reconciliation had been performed by on member of the team and had been reviewed and countersigned by another. An audit trail of associated records was also retained to support the reconciliations.
  2. A sample of five banking submissions made by the Central Cash team were reviewed. Each banking in the sample was correctly recorded and was reconciled to the relevant paying in book record.
  3. The Treasury team undertake periodic audits of the inspector's safes at Hartlepool and Stockton. Evidence was provided to demonstrate that audits were performed during each of the first three quarters of 2017-18.

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