

Item 3 (ii)



CHIEF CONSTABLE OF STAFFORDSHIRE

Cash Seizures

FINAL

Internal audit report: 6.18/19

21 March 2019

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Debrief held	22 February 2019	Internal audit team	Daniel Harris - Head of Internal Audit Angela Ward - Senior Manager Kimberley Smith – Assistant Manager Pavanique Gill – Auditor
Draft report issued	26 February 2019		
Responses received	21 March 2019		
Final report issued	21 March 2019	Client sponsor	E. Sharrad-Williams - Chief Superintendent - Head of Operational Support Unit
		Distribution	John Bloomer, Chief Finance Officer E. Sharrad-Williams - Chief Superintendent - Head of Operational Support Unit

1 EXECUTIVE SUMMARY

1.1 Background

A review of Cash Seizures has been undertaken as part of the approved internal audit plan for 2018/19. The objective of the review was to identify whether cash seized by the Force has been seized appropriately, processed correctly and held securely.

In October 2018, the Force published a new Property - Cash Seizures and Detention procedure which is used to identify how cash should be handled, processed and stored, in the event of cash being seized. As part of the updated procedure, cash amounts seized are now held in three main sites across Staffordshire; Burton, Cannock and Hanley Police Stations. Excessive amounts of cash (in excess of £10,000) are transferred to safes located at the Staffordshire HQ site, which are held until required for either investigation or release.

The Force uses a Property Management System (PMS) to record all incidents where cash has been seized. The PMS includes the items of evidence that have been seized, and search functionality to identify where items that have been seized are stored. The system is then used throughout the duration of the investigation to monitor the location of evidence, and when property items are available to be returned, deposited or destroyed.

As part of the audit we completed some spot checks and visited each of the four key sites, including Staffordshire HQ, to complete audit sample testing and to confirm that the cash holding aspects and recording of the cash is compliant with the recently updated Policy and supporting procedures.

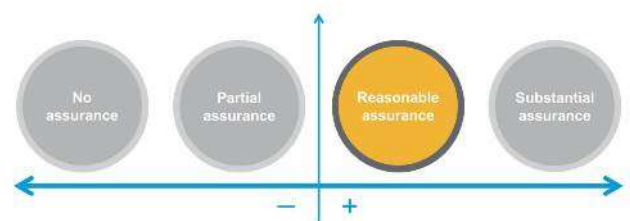
1.2 Conclusion

Our testing of cash items held by the Force across each of the sites concluded that there were no significant issues where cash amounts were missing or not accounted for on the system, however actions have been agreed around the monitoring of cash in relation to demonstrating accountability and evidencing that a segregation of duties is in place.

Internal audit opinion:

Taking account of the issues identified, the Chief Constable can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

The key findings from this review are as follows:

- Cash values under £10,000 are held at one of three sites. Where cash values are above the amount of £10,000 the Property Team transfer the cash to Staffordshire HQ for holding in higher value safes. Review of the safes at Burton, Cannock and Hanley identified no cases where cash above £10,000 was being held.

- Safe insurance limits are held by the Insurance Manager, which are sent to the insurer on an annual basis and any issues for excessive limits are raised by the insurer. At the time of review we did not identify any cases where cash safes were above their insured value however, we have included a management action for the amounts inside the safes following their most recent audit are centrally held to monitor the levels of cash held.
- Cash amounts removed from the system are logged on the PMS, which shows the date and time of the item being removed from site. The system also produces a list of items to be disposed, which is then signed by the recipient and recorded on the system.

We have agreed **three medium** and four low priority management actions as a result of our audit. These actions are in relation to;

- The Force has a Cash Seizure Procedure in place, which includes a Cash Seizure Process Map as an appendix, which is followed in the event that cash is found / seized as part of an investigative procedure. We have included a management action to include the officer who is responsible for reviewing and updating the policy document. **(Low)**
- Review of the finance safe at Staffordshire HQ confirmed that a log is held that records the responsible officer depositing and collecting cash amounts for each transaction. However, the log should be amended to include the signatures of all officers escorting large cash amounts, in order to demonstrate compliance with the insurance provider's policy. **(Medium)**
- Testing of a sample of cash held at each of the three sites (Burton, Cannock and Hanley) that we visited as part of the audit, confirmed that there was a corresponding entry on the PMS, however some discrepancies were noted where a new entry was required to be input onto the PMS, for example where the cash was recounted and new evidence bags were used. **(Medium)** Furthermore, the evidence bags should be signed off by two officers confirming the cash count before being bagged. **(Medium)**
- The Property Team undertake cash audits on safes held at each of the sites to reconcile the PMS system report with the physical entries in the safe. We identified this as good practice, however we have agreed an action for the audit sheets to be signed by all attendees to demonstrate at least two officers are present on each audit. **(Low)**
- Where cash is no longer needed to be held on site, amounts are taken from the PMS and counted to ensure the values match. This is then banked by the Property Manager. We have included a management action for both officers counting cash to sign the sheets to evidence at least two officers are present for review. **(Low)**
- Access to cash safes is restricted to the Property Officers at each site, with holding safes used for officers to deposit cash where property officers are not present. At Staffordshire HQ, the finance safe is held in an alarmed room with access restricted to nine members of staff. We have included a management action for the Force to reconcile the entries in the manual log held on site with the electronic audit log, accessible by the provider, to ensure no additional entries have taken place. **(Low)**

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*	Non compliance with controls*	Agreed actions		
			Low	Medium	High
Cash is seized appropriately, processed and held securely and appropriately.	2(9*)	6(9*)	4	3	0
Total			4	3	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.

1.5 Additional feedback

We have identified the following examples of good practice during this audit:

- Cash safe audits are undertaken by the Force to identify any cash amounts which may be logged on the system, but not included in the safes, and vice versa. This allows the Force to periodically investigate any issues which may arise in relation to reconciling cash amounts held in safes with the Property Management System.

2 DETAILED 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 regulatory scrutiny/ 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, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

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.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
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Area: Cash is seized appropriately, processed and held securely and appropriately.

1.1	The Force has an updated Cash Seizure Procedure which was approved in October 2018 and includes a Seizure of Cash Process Map, which was last updated in June 2018.	Yes	No	<p>Review of the Cash Seizure Procedure shows that the following areas are included:</p> <ul style="list-style-type: none"> • Operational Action; • PACE Seizures; • POCA Seizures under sections 294 to 298; • Appendix A – Seizure of Seizure of Cash Process Map; • Appendix B – Counting Cash Good Practices, Low and FIU Contact Criteria; • Appendix C – Cash Values Seized Under £1000; • Appendix D – Transfer of Cash; • Appendix E – Key Contact Details; and • Appendix F – Property Management System (PMS) Records. 	The Cash Seizure Procedure will be updated to include the reviewing party, to ensure that the procedure is approved at the correct level in the organisation.	Chief Inspector, Justice Services 30 June 2019
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
				Though the procedure contains the effective date, review period and next date of review, the procedure does not contain the officer who is responsible for reviewing the procedure.		
1.2	<p>Cash amounts above £10,000 are transferred between sites in line with the Cash Seizure Procedure.</p> <p>The procedure includes the following amounts when carrying high levels of cash:</p> <ul style="list-style-type: none"> £10,000 to £25,000 – 2 escorts; £25,000 to £50,000 – 3 escorts; and Above £50,000 – 4 escorts. 	Yes	No	<p>Review of the safes at the Burton, Cannock and Hanley showed that no amounts exceeding £10,000 were held at these sites.</p> <p>Three amounts (two counted and one uncounted) with values exceeding £10,000 were held in the finance safe at Stafford HQ. A safe log is held that details who has opened the safe, on what date and the purpose for the safe being opened. For cash deposits/removals, one escort is required to sign the log to show removal of the cash from the safe, however the log does not show the amount of escorts on site to remove the cash as only one signature is included per transaction.</p> <p>Review of the carrying condition provided by the insurer included the following numbers of escorts required:</p> <p>(a) up to GBP10,000, it shall be accompanied at all times by at least 1 (one) responsible Employee;</p> <p>(b) up to GBP25,000 but in excess of GBP10,000, it shall be accompanied at all times by at least 2 (two) responsible Employees; and</p> <p>(c) up to GBP50,000 but in excess of GBP25,000, it shall be accompanied at all times by at least 3 (three) responsible Employees; and</p> <p>(d) in excess of GBP50,000, it shall be carried by a professional security company approved by the</p>	<p>The log held for the Finance safe held at Staffordshire HQ will be updated to include the signatures of the escorts collecting cash from the safe to evidence that cash is being carried in line with the insurance policy.</p> <p>Medium</p>	<p>Chief Inspector, Justice Services</p> <p>30 June 2019</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
				<p>Insurer or 4 (four) responsible Employees with one or more holding the rank of "Officer".</p> <p>We have therefore agreed a management action to ensure that the log held for the finance safe records the signature of each of the escorts to ensure there is evidence of compliance with the insurance policy for cash amounts held.</p>		
1.3	<p>Upon seizure, cash amounts are bagged and deposited in envelope-style deposit boxes (holding safes) by officers, prior to a Property Officer accessing the safe to record all cash deposits on the Property Management System.</p> <p>Each deposit is allocated a System Number prior to being placed into a safe.</p>	Yes	No	<p>For each of the three sites, we selected a sample of 20 cases where cash had been seized to identify how the cash had been processed on the system.</p> <p>Ten cases were selected from the cash safes to be identified on the Property Management System (PMS) and ten were selected from the PMS to the cash safes. Testing identified the following:</p> <p><u>Burton</u></p> <ul style="list-style-type: none"> • In all 20 cases, the case numbers listed on the PMS matched the cash amounts included in the safe; • In 13/20 cases, the seal numbers on the bag matched the seal number included on the PMS. In 7/10 cases, the evidence item included on the system did not have an evidence item reference listed. • In 19/20 cases, the cash amounts included on the bag matched the amounts included on the system. In the remaining case, the amount was marked as uncounted on the bag but had a counted value on the PMS. • In all cases, the initial disposal into the safe following the seizure of the cash was made in a timely manner. 	<p>In the event of a cash seizure, the Force will ensure:</p> <ul style="list-style-type: none"> • Evidence bags will be signed off by two officers to demonstrate both accountability and segregation of duties is in place; • Evidence bag numbers are included on the system. In the event that a seal is broken for counting and cash amounts are re-bagged, the updated bag number will be included on the PMS; • Cash amounts will be listed on the PMS system to aid the Force to accurately note the current amounts of cash in safes, ensuring they are in line with insurance limits. 	<p>Chief Inspector, Justice Services</p> <p>Immediate</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
				<p><u>Cannock</u></p> <ul style="list-style-type: none"> In 19/20 cases, the case numbers listed on the PMS matched the cash amounts included in the safe. In the remaining case the incorrect system number was included on the covering envelope, however the evidence bag contained the matching system number; In 17/20 cases, the seal numbers on the bag matched the seal number included on the PMS. In 3/20 cases, the evidence item included on the system did not have an evidence item reference listed. In 18/20 cases, the cash amounts included on the bag matched the amounts included on the system. In 2/20 cases, the amounts on the bag were not listed on the PMS. In 16/20 cases, the initial disposal into the safe following the seizure of the cash was made in a timely manner. In 4/20 cases cash was put in a holding bag before being transferred to the cash safe on site. <p><u>Hanley</u></p> <ul style="list-style-type: none"> In 19/20 cases, the case numbers listed on the PMS matched the cash amounts included in the safe. In the remaining case the incorrect system number was included on the covering envelope, however the evidence bag contained the matching system number; In 11/20 cases, the seal numbers on the bag matched the seal number included on the PMS. In 7/10 cases, the evidence item included on the system did not have an evidence item reference listed and in 2/10 cases, the seal number on the system did not match the seal number on the bag. Upon 	Medium	

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				<p>investigation, one case was a duplicate value attached to another evidence item from the same case and the other case was due to the seal being broken on the original bag to count the cash, but the resealed bag reference was not updated on the system.</p> <ul style="list-style-type: none"> In all cases, the cash amounts included on the bag matched the amounts included on the system. In all cases, the initial disposal into the safe following the seizure of the cash was made in a timely manner. <p>Following the review, we noted that there were cases where the evidence bag was not signed to show segregation of duties when counting cash amounts for evidence. Ideally two officers counting the cash should sign the evidence bag to demonstrate both accountability and segregation of duties in place.</p>		
1.4	<p>The Property Team undertake audits on cash safes located at stations to ensure that safes are below their insured value, and that system numbers reconcile to individual entries in the cash safes.</p> <p>The audits are undertaken by the Chief Inspector, with the two other property officers present.</p> <p>The results of the most recent audit are held in the safes.</p>	Yes	No	<p>Audits on cash values included in the safe are undertaken by the Property Team where possible. No organised dates are held for the audits, but they usually take place throughout the year.</p> <p>As part of the audits that are performed, a report is generated by the PMS system to ascertain whether the entries are present in the safes, with actions being taken where these are not met to ensure these are included on the system.</p> <p>The most recent audits took place at sites on the following dates:</p> <ul style="list-style-type: none"> Burton – 7 October 2018; Cannock – 31 January 2019; 	<p>Audit sheets will be signed by the members of the Property Team reviewing the safes to ensure that cash amounts are being reviewed with at least two members present.</p> <p>Low</p>	<p>Chief Inspector, Justice Services</p> <p>Immediate</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
				<ul style="list-style-type: none"> Hanley – 22 October 2018. <p>Review of the sample of sheets used by the Property Team to audit the safes showed that no signatures were included on the audit sheets to confirm who had performed the audit. By signing the audit sheets demonstrates both accountability and evidence that at least two members of staff have taken part in the audit process. It also safeguards Officers in the event of any discrepancies or complaints.</p>		
1.5	<p>Where cash is no longer needed to remain in safes on site, it is banked by the Property Manager.</p> <p>There are no specific time intervals or cash thresholds above which cash should be banked.</p>	Partly	No	<p>Where cash is no longer needed to be held on site, it is collated with other cash values to be banked by the Property Manager.</p> <p>Cash amounts are counted by the Property Manager with an accompanying Property Officer before being taken to the bank. In the event the notes are damaged, they are sent to the Bank of England to be replaced as legal tender.</p> <p>Review of the most recent bank deposits made for each of the sites showed that the cash amounts reconciled to the paying in slips sent to the bank, which were stamped as received by the bank. We noted however in two cases the list of items to be banked was signed off by one officer and in one case the list was not signed.</p>	<p>The Force should consider implementing a threshold above which cash amounts are taken to be banked, to reduce high amounts of cash being taken to be banked in one transaction.</p> <p>Where cash amounts are banked, the list of cash amounts will be signed by two officers to evidence they are being counted and reconciled by two individuals.</p> <p>Medium</p>	<p>Chief Inspector, Justice Services</p> <p>Immediate</p>
1.6	<p>Cash safes held at each of the four sites are insured to the values maintained in a spreadsheet which is sent to the insurer on an annual basis.</p> <p>Where insurance limits are too excessive for the insurer, the</p>	Yes	No	<p>The Insurance Manager holds a list of each of the safes held by the Force, including their location, make, model, and insurance limit. The most recent review of safes was undertaken in April 2018. The amounts listed for the safes reviewed ranged from £15,000 to £50,000 for Burton, Cannock and Hanley. The finance safe held at HQ was reviewed to be insured for £1,000,000.</p>	<p>Following the cash safe audits taking place, the amounts found in the safes will be logged to ensure that the amounts do not exceed the insured limits.</p> <p>Low</p>	<p>Chief Inspector, Justice Services</p> <p>Immediate</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Action for management and priority	Responsible owner and implementation date
	<p>Force are contacted to be notified of this.</p> <p>Cash Safe Audit Sheets are held in the safes to ensure that they are below the insured values at the time the audit is performed.</p>			<p>The Insurance Manager was able to obtain correspondence from the insurer of the following:</p> <p><i>"We note the Force has sent a list of safes with limits at renewal and this is lodged with insurers. If the limit was too high for the safes noted then insurers would raise this as part of the renewal process".</i></p> <p>Review of the audit sheets on site for seven of the ten safes showed the amounts were below their insured limit. We were informed by the Chief Inspector that the amounts listed for three safes at the Hanley site did not have the amounts listed in the safes. We have therefore agreed a management action.</p>		
1.7	<p>Holding safes have a post box-style format allowing officers to deposit cash amounts without opening the safe.</p> <p>Main cash safes at each of the sites are held in locked rooms where access to the rooms is restricted to property officers.</p>	Yes	Yes	<p><u>Burton/Cannock/Hanley</u> Review of each of the three sites showed that a holding safe was in place, where officers were able to deposit cash, but cash could only be removed by property officers.</p> <p>Cash safes are included in locked rooms on each of the three sites, where the keys to the room are locked away in the offices of the Property Manager/Officers. At the Burton and Hanley sites, keys to the Property Officer's room are given to the front office to restrict access and at the Hanley site, access to the room is through keypad access.</p> <p><u>Stafford HQ</u> The safe used by Finance contains two locks where nine members of staff have access to either one, or both codes. The safe is held in an</p>	<p>Consideration will be given to contacting the finance safe provider to obtain an electronic log of entries to the safe.</p> <p>The log will then be reconciled against the Force's manual log to ensure no additional access to the safe has taken place.</p> <p>Low</p>	<p>Finance Manager</p> <p>30 June 2019</p>

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				<p>alarmed room where only the nine members of staff know the code to un-activate the alarm. Access to the block is restricted through access cards and passwords upon entering and leaving the building.</p> <p>We were informed by the Finance Officer that the Force are able to obtain an audit log from the safe provider of when the safe has been opened, however this has not been performed.</p> <p>We have therefore included a suggestion for the Force to obtain the log to reconcile against the Force's manual log mentioned above to ensure no additional access to the safe has taken place.</p>		

APPENDIX A: SCOPE

Scope of the review

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

Objectives of the area under review

Cash is seized appropriately, processed and held securely and appropriately.

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

Areas for consideration:

- The Force has recently reviewed the seizure and holding of cash arrangements across the region. As such a revised Policy has been produced and it is the intention of the audit to provide assurance over compliance with the revised Policy.
- Cash is held across four locations across Staffordshire - Burton, Cannock, Hanley and Stafford (head office). Where cash is transferred between locations the Tactical Support Unit is utilised.
- As part of the audit we will undertake spot checks at locations (to be determined) to confirm that the cash holding aspects and recording of the cash is compliant with Policy and supporting procedures.
- To provide assurance that cash actually held reconciles to that recorded on system and any other records held at location.
- Review of banking records, the frequency of banking and the amounts banked.
- Provide assurance that the amounts held in safes comply with policy and that they do not exceed insurance limits.
- Consideration of access to the safe and confirm that this is 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 review will not provide an opinion on the appropriateness of seizures, only compliance with required controls for handling/security of seizures.
- We will not comment on the appropriateness or otherwise of any disposal undertaken to charity or sold for financial gain.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Clare Caddick, Chief Inspector
- Dave Estcourt, Property Manager
- Michelle Kemp, Finance Manager
- Clare Simmons, Insurance Manager

Documentation reviewed during the audit:

- Property Cash Seizure Procedure;
- Seizure of Cash Process Map;
- Money Policy, 2018-19;
- Insurance Schedule, 2018-19;

FOR FURTHER INFORMATION CONTACT

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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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