



## CHIEF CONSTABLE OF NORTH YORKSHIRE

### Seized Cash Spot Check

FINAL

Internal Audit Report: 5.16/17

18 November 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 Detailed findings .....	5
APPENDIX A: SCOPE .....	10
APPENDIX B: FURTHER INFORMATION .....	12
For further information contact .....	13

<b>Debrief held</b>	16 September 2016	<b>Internal Audit team</b>	Dan Harris, Head of Internal Audit
<b>Draft report issued</b>	29 September 2016		Angela Ward, Senior Manager
<b>Revised draft report issued</b>	11 November 2016		Philip Church, Client Manager
<b>Responses received</b>	18 November 2016		Eddie Ndhlovu, Senior Auditor
<b>Final report issued</b>	18 November 2016	<b>Client sponsor</b>	Paul Kennedy, Acting Deputy Chief Constable
			Kate Williams, Customer Relationship Manager
		<b>Distribution</b>	Kate Williams, Customer Relationship Manager

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.

**NOT PROTECTIVELY MARKED**

# 1 EXECUTIVE SUMMARY

## 1.1 Background

A random seized cash spot check was undertaken at Northallerton and Scarborough police stations as part of the approved internal audit plan for 2016/17.

Cash seized during police operations or found cash is required to be placed into sealed double bags by the responsible officer. The officer must ensure that the bag contains a description of the cash, date, officer's name and collar number, signature. Once double bagged and all information has been noted on the bag, the cash is recorded on the Niche system and is allocated an incident number if applicable and a 'P' number. Cash is then stored in the designated safe by the customer services officer (CSO) / exhibit management support officer (EMSO).

When cash is suspected to be counterfeit, the exhibit bag should state clearly that the cash is suspected to be counterfeit. This information should also be recorded on the submission form in the Niche system. It is the responsibility of the officer to complete an NC01 form (a counterfeit cash reporting form) which is submitted to the United Kingdom National Central Office (UKNCO) which is housed by the National Crime Agency (NCA).

All cash received is held for 72 hours and banked at the next available bank run unless a valid reason has been given to retain the cash by the officers; this could be due to allocation for forensic investigation or for use during a trial. Access to the safe is restricted to the CSOs (i.e. front desk staff) and EMSOs. Cash taken out of the safe must be signed by two personnel using the Niche system; one should be officer requesting the cash and the other the front desk member of staff.

## 1.2 Conclusion

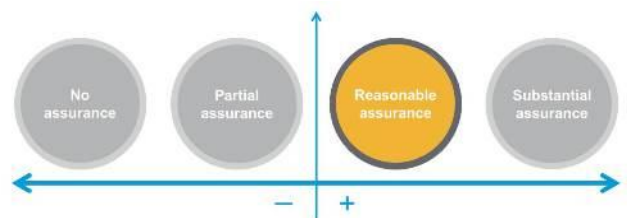
Our review has confirmed that the Force has controls and procedures in place to ensure that seized cash is handled and managed in a transparent way and accurately recorded on Niche. However, we highlighted three issues which resulted in three medium priority management actions being agreed. These were in relation to; stations not ensuring that workflows were sent to officers in order for cash to be banked within the next available banking window; the absence of monthly safe audits at Scarborough Police station and the frequency of banking including banking sheets not being signed as authorised.

---

### Internal Audit Opinion:

Taking account of the issues identified the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls in place to manage this area are suitably designed and consistently applied.

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



### 1.3 Key findings

The key findings from this review are as follows:

- From testing of 75 cash transactions at both Northallerton and Scarborough police stations, we were able to reconcile the 'P' numbers on the bags to the records on the Niche system.
- At the Northallerton police station we found that all 30 transactions tested were double bagged and had been signed by the officers. In seven cases the cash was suspected to be counterfeit and we found evidence of compliance with Force procedures.
- Review of the July, August and September months identified that audits were undertaken at the Northallerton police station.
- Cash banked and stored at the time of the audit had not exceeded the safe insurance limits.
- Access to safes was well controlled and restricted only to appropriate front desk staff.
- Cash removed for evidence purposes had been recorded on the Niche system, along with the officer's details who had removed the cash.

However, we identified the following issues where the Force cash guidelines had not been adhered to:

- When reconciling the cash recorded on Niche to the safes we found the following:
  - Cash was not being banked in a timely manner due to officers not responding to tasks sent on Niche (Scarborough and Northallerton);
  - Instances where cash had not been double bagged (these were however small immaterial amounts); and
  - No evidence of the NC01 forms being completed with regards to counterfeit cash at Scarborough police station.
- Safe audits undertaken at the Scarborough police station had not been documented.
- The frequency of banking was not in accordance with the Force cash handling guidelines, as we found that at Scarborough police station the cash had only been banked twice since the start of this financial year. Furthermore, in one instance the banking sheet had not been signed as authorised.

## 1.4 Additional information to support our conclusion

Area	Control design*	Non-Compliance with controls*	Agreed actions		
			Low	Medium	High
Seized Cash	0 (6)	3 (6)	0	3	0
<b>Total</b>			<b>0</b>	<b>3</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.

## 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 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.

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	Controls complied with	Audit findings and implications	Priority	Actions for management
<b>Area: Seized Cash</b>						
1	The amount of cash collected and stored at Northallerton and Scarborough police stations as per the records on the Niche system reconcile with the cash actually stored in the safe.	Yes	No	<p><b>Northallerton Police Station</b></p> <p>We reviewed 30 transactions on the Niche system and found the following:</p> <ul style="list-style-type: none"> <li>All the P numbers on the Niche system were matched to the P numbers on the bags.</li> <li>No bags contained more £1,000.</li> <li>All cash was held in a sealed double bag.</li> <li>In all instances the bags had been signed by an officer.</li> </ul>	Medium	<p>A force wide message and briefing note to be sent out advising officers / staff involved in seizing evidence:</p> <ul style="list-style-type: none"> <li>Correct packaging (double bagging and capturing signatures);</li> <li>When cash should and</li> </ul>

NOT PROTECTIVELY MARKED

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Actions for management
				<ul style="list-style-type: none"> <li>In 10 cases, we found that the bags contained foreign notes. In each case we found that the notes had not been deemed to be of great value and therefore had not been banked. Discussions with the Customer Services Officer noted that foreign notes and coins were banked when a substantial amount was held.</li> <li>In seven cases we found that the cash was suspected to be counterfeit. We found evidence of the NC01 form being completed in each case.</li> <li>We found two instances of cash that were seized in December and November 2015 where a workflow had been sent to officers but had not yet been banked, in one of the instances, the cash had been mutilated and was due to be banked; however, this had not taken place since January 2016.</li> </ul>		<ul style="list-style-type: none"> <li>shouldn't be counted (and to provide an estimated amount when it can't be counted);</li> <li>Cash that should have been counted and hasn't will be allocated to local supervision to resolve; and</li> <li>The OIC must scan onto the Niche occurrence the UKNCO form when counterfeit cash is sent off.</li> </ul>
				<p><b>Scarborough Police Station</b></p> <p>We obtained a Niche report which showed 45 transactions of seized cash including mutilated and counterfeit cash. Review of the transactions found the following:</p> <ul style="list-style-type: none"> <li>All but two cash bags had been signed by the officer who handled the cash.</li> <li>In seven instances we found that the cash had not been double bagged; four instances related to cash under £1, other values included £20 (suspected fake), £50 (inside an Xbox game) and one amount that had not been counted.</li> <li>We found that in most instances cash was not being banked after the next available weekly bank run after it had been kept for 72 hours following receipt. Furthermore we found that officers were not responding to the workflows sent and in some instances no workflows had been sent to officers regarding the banking of cash.</li> <li>Furthermore we could not find evidence of the NC01 form being completed within the Niche system for four cases of counterfeit cash tested.</li> </ul>		<p>Further training to be provided to all staff handling seized cash:</p> <ul style="list-style-type: none"> <li>Process to follow when cash has not been submitted in accordance with the force procedure;</li> <li>Correct banking processes to follow (including mutilated cash); and</li> <li>Ensure any relevant</li> </ul>
				<p>Discussions with Exhibit Management Support Officers noted that in the current financial year, no mutilated cash had been sent to the Bank of England for</p>		

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Actions for management																								
				<p>depositing. In three instances tested, we found that these were still in the safe and had not been submitted for depositing with the Bank of England.</p> <table border="1"> <thead> <tr> <th colspan="3">Risk Exposure*</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">There is a risk that there is non-compliance with cash handling procedures and that cash may be misplaced which would lead to financial loss and reputational damage to the Force.</td> <td colspan="3">Non-compliance with Force procedures and officers not responding to tasks in order to ensure that all cash is banked in a timely manner.</td> </tr> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> <tr> <td>Probable</td> <td>Negligible</td> <td>Minor</td> <td>Minor</td> <td>Minor</td> <td>5:8</td> </tr> </tbody> </table>	Risk Exposure*			Root causes			There is a risk that there is non-compliance with cash handling procedures and that cash may be misplaced which would lead to financial loss and reputational damage to the Force.			Non-compliance with Force procedures and officers not responding to tasks in order to ensure that all cash is banked in a timely manner.			Probability	Financial	Reputational	Operational	Legal	Rating	Probable	Negligible	Minor	Minor	Minor	5:8		<p>amounts are banked on a weekly basis.</p> <p>Responsible Officers:</p> <p>Debbie Lawson, Exhibit Manager</p> <p>Emma Connolly, Service Improvement Manager</p> <p>Implementation Date: 31st March 2017 (to enable training / briefings to take place)</p>
Risk Exposure*			Root causes																											
There is a risk that there is non-compliance with cash handling procedures and that cash may be misplaced which would lead to financial loss and reputational damage to the Force.			Non-compliance with Force procedures and officers not responding to tasks in order to ensure that all cash is banked in a timely manner.																											
Probability	Financial	Reputational	Operational	Legal	Rating																									
Probable	Negligible	Minor	Minor	Minor	5:8																									
2	Each month the Business Administration Manager (BAM) or Exhibits Manager (EM) will conduct a full audit of the safe to ensure that all cash exhibits are stored in accordance with the procedure and that banking is routinely taking place.	Yes	No	<p><b>Scarborough Police Station</b></p> <p>Discussions with the Exhibit Management Support Officers found that the monthly audits were currently not being undertaken. We noted that this had been due to structural changes within the department which had led to responsibility of the audits not being clear.</p> <p>Review of the evidence of audits found that the last audit took place on 9<sup>th</sup> September 2016, however we noted that prior to this the last audits performed were on 19<sup>th</sup> January 2016 and 26<sup>th</sup> February 2016.</p> <table border="1"> <thead> <tr> <th colspan="3">Risk Exposure*</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">There is a risk that if audits are not performed on a regular basis then discrepancies will not be identified.</td> <td colspan="3">Staff had not undertaken monthly audits in accordance</td> </tr> </tbody> </table>	Risk Exposure*			Root causes			There is a risk that if audits are not performed on a regular basis then discrepancies will not be identified.			Staff had not undertaken monthly audits in accordance			Medium	<p>The Exhibit Manager and/or Service Improvement Manager will ensure that monthly audits are undertaken, documented and stored in a centralised location. EMSO's/CSO's will conduct a weekly check of the safe to ensure that any amounts requiring banking are processed and that the amounts contained are not exceeding the safe limits. Any issues identified will be documented and escalated</p>												
Risk Exposure*			Root causes																											
There is a risk that if audits are not performed on a regular basis then discrepancies will not be identified.			Staff had not undertaken monthly audits in accordance																											

NOT PROTECTIVELY MARKED



NOT PROTECTIVELY MARKED

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Actions for management												
	they will be recorded on the Exhibit's issues log and remedial action taken.			<p>This may result in evidence going missing including reputational and financial loss.</p> <table border="1"> <thead> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>Probable</td> <td>Negligible</td> <td>Minor</td> <td>Minor</td> <td>Minor</td> <td>5:8</td> </tr> </tbody> </table>	Probability	Financial	Reputational	Operational	Legal	Rating	Probable	Negligible	Minor	Minor	Minor	5:8		<p>with Force procedures.</p> <p>to management.</p> <p>Responsible Officers:</p> <p>Emma Connolly, Service Improvement Manager</p> <p>Debbie Lawson, Exhibit Manager</p> <p>Implementation Date: Immediate and on-going 31<sup>st</sup> March 2017 to enable training to take place</p>
Probability	Financial	Reputational	Operational	Legal	Rating													
Probable	Negligible	Minor	Minor	Minor	5:8													
3.	<p>All cash is banked after 72 hours and on the next scheduled run to the bank.</p> <p>The cash is taken out of the main safe immediately prior to going to the bank, and can be prepared in advance.</p>	Yes	No	<p><b>Northallerton Police Station</b></p> <p>Review of the banking records since April 2016 found the following:</p> <ul style="list-style-type: none"> <li>At the time of the audit, the station had banked eight times.</li> <li>For two banking records, we found that the banking sheet had not been signed as checked and authorised by the manager. However, the Finance department do not accept banking sheets without appropriate authorised signatures.</li> <li>We confirmed that the records had been recorded on the Niche system.</li> </ul> <p><b>Scarborough Police Station</b></p> <p>Review of the banking records from April 2016 found the following:</p>	Medium	<p>The Force will ensure that the EMSO's conduct a weekly safe check to identify amounts requiring banking, and that the banking takes place on a weekly basis</p> <p>Staff will be trained on banking procedures. As per action 1 All authorised banking sheets to be stored in a central location</p> <p>Responsible Officers:</p>												

NOT PROTECTIVELY MARKED

NOT PROTECTIVELY MARKED

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Actions for management
-----	---------	-------------------------	------------------------	---------------------------------	----------	------------------------

- The station had banked twice since the start of the financial year, once in May and August 2016. Further discussions with Exhibit Manager found that this was due to the new structure and current staff not being trained on the Force’s banking procedures.
- Review found that in both instances, the banking sheet had been signed by the preparer and the authoriser.

In both instances it was confirmed that the cash banked had not exceeded the insurance limit.

We could not confirm the actual amount in the safe as some cash had not been counted however through observation of the cash, we estimated that this was much lower than the safe limit at the time of the audit.

Debbie Lawson, Exhibit Manager

Emma Connolly, Service Improvement Manager

Implementation Date: 31<sup>st</sup> March 2017

Risk Exposure*			Root causes		
There is a risk that if banking is not undertaken in a timely manner that insurance limits will be breached.			Non-compliance with Force procedures and staff are not trained on how to undertake banking.		
Probability	Financial	Reputational	Operational	Legal	Rating
Probable	Negligible	Minor	Minor	Minor	5:8

NOT PROTECTIVELY MARKED

## 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, with a view to providing an opinion. 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

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

### Areas for consideration:

We have undertaken spot checks at Northallerton and Scarborough police stations. The checks were unannounced and have covered the following areas:

- 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 a sealed 'doubled bag' and details recorded on Niche including value and P number reconcile.
  - Bags have been signed by the person from whom it was seized or handled or if the person refuses to sign this is recorded on the bag.
  - Our sample has also included 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 Exhibits Management Team 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.

### Limitations to the scope of the audit assignment:

- All testing has been completed on a sample basis from transactions in the current financial year and therefore we have not confirmed that all transactions are legitimate or valid or that policies and procedures had been complied with in all instances.
- We have not reviewed officer's PNB.

## NOT PROTECTIVELY MARKED

- We have not reviewed the processes or controls around Exhibits. This review has focused solely on seized cash.
- We have not considered seized or handled cash over £1,000 and referral to FIU. This process will be considered as part of the Proceeds of Crime – Management of Sensitive Property audit.
- We have not reviewed seized cash receipted at the Force's temporary stores. Our review has focused on seized cash held at Northallerton and Scarborough.
- We have 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.

NOT PROTECTIVELY MARKED

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Kate Williams, Customer Relationship Manager
- Tina Fiorentino, Customer Services Officer (Northallerton)
- Shona Lays, Customer Services Manager (Northallerton)
- Debbie Lawson, Exhibit Manager (Scarborough)
- Amber Mansfield, Exhibit Management Support Officer (Scarborough)
- Amanda Edward, Exhibit Management Support Officer (Scarborough)

### **Documentation reviewed during the audit:**

- Northallerton niche report
- Scarborough niche report
- Seized cash procedures

## FOR FURTHER INFORMATION CONTACT

**Dan Harris, Head of Internal Audit**

Tel: 07792 948767

[Daniel.Harris@rsmuk.com](mailto:Daniel.Harris@rsmuk.com)

**Angela Ward, Senior Manager**

Tel: 07966 091471

[Angela.Ward@rsmuk.com](mailto:Angela.Ward@rsmuk.com)

**Philip Church, Client Manager**

Tel: 07528 970082

[Philip.Church@rsmuk.com](mailto:Philip.Church@rsmuk.com)