

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 27 JANUARY 2014

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 6-2014

1 PURPOSE OF REPORT

1.1 To present to the Board the Internal Audit Report No 2014/05 - Asset Management 2013/14, attached as an Appendix to this report.

2 RECOMMENDATIONS

2.1 The Board is asked to note the contents of this Audit Report.

3 FINANCIAL IMPLICATIONS

3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4 POLICY IMPLICATIONS

4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

5 BACKGROUND

5.1 Henderson Loggie were appointed to provide an Internal Audit Service in respect of the financial years 2010/11 to 2012/13 and have subsequently been re-appointed for the period from 1 April 2013 to 31 March 2016. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2013 to 2016 as approved by the Board on 26 August 2013.

5.2 Internal Audit Report 2014/05 on Asset Management is attached as an Appendix to this report. It has been prepared by internal audit following discussion with the Assessor and the Treasurer. The overall conclusion of the report is that:

- There is a system for recording assets and checking the physical existence of these on a regular basis.
- That although the Board does not have a formal maintenance plan in place to cover its assets, an overview of assets and their maintenance is carried out by IT staff.
- That existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board.
- That the disposal of assets are properly authorised and recorded and such assets are disposed of securely.
- That there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

The auditor has made the following additional recommendations:

- That a timeframe should be established for the discussion/approval of Asset Management Guidelines by the management team.
- That the Administration Manager (Finance/Personnel) formally records the checks undertaken on a sample of high value, portable and desirable assets annually.
- That consideration is given to developing a formal maintenance plan for the Board's assets, together with monitoring arrangements.

The management team will give detailed consideration to the auditor's recommendations and the outcome of those considerations will be discussed with the auditor during a follow up review.

6 CONSULTATIONS

6.1 The Clerk and Treasurer to the Board have been consulted on this report.

7 BACKGROUND PAPERS

7.1 None.

Alastair Kirkwood
Assessor

January 2014



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Asset Management
2013/14**

Internal Audit Report No: 2014/05

Draft Issued: 20 December 2013

Final Issued: 6 January 2014



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Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2013/14 we carried out a review of the Asset Management arrangements in place. The Audit Needs Assessment, completed in August 2013, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

This review covered the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

Objectives of the Audit

The main objective of our audit was to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives.

To conclude on this objective we established whether:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Audit Approach

Board staff were interviewed to gain an understanding of asset management systems, procedures and controls in place. The controls were then compared against good practice.

A sample of items was also tested to ensure asset maintenance, disposal and capital appraisal controls are working effectively.

Action Plan

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

Management Summary

Action Plan (Continued)

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Assessor, Administration Manager (Finance / Personnel) or the Departmental Accountant at the Council.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Overall, we obtained reasonable assurance that the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives, although some areas for improvement were noted.

In relation to our secondary objectives we obtained reasonable assurance that:

- there is a system for recording assets and checking the physical existence of these on a regular basis; however the physical checks performed are not formally recorded;
- although the Board does not have a formal maintenance plan in place over its assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Summary of Main Findings and Recommendations

Asset management guidelines covering the recording of assets, asset maintenance and disposal have been drafted; however these have yet to be discussed and approved by the Board's management team and uploaded on to the intranet. We recommend that a timeframe is established for completing this task.

The Administration Manager (Finance / Personnel) advised that physical checks are performed on a sample of high value, portable and desirable assets on an annual basis; however these checks are not formally recorded and we recommend that this is done.

Our review found that there was no formal maintenance plan for assets at the Board; however an overview of assets and their maintenance is carried out by IT staff. We recommend that consideration is given to developing a formal maintenance plan for the Board's assets, together with monitoring arrangements.



Management Summary

Acknowledgements

We would like to thank all staff at the Board for the assistance received during the course of our review.



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.1	General R1 A timetable should be established for having the Board's management team discuss and approve the asset management guidelines. Once approved the guidelines should be uploaded on to the Board's intranet within a reasonable timescale.	C	The asset management guidelines will be presented to the next available management team meeting.	Yes	Depute Assessor	28/2/14
2.5	Recording of Assets and Checking Physical Existence R2 The physical checks performed on a sample of higher value, portable and desirable assets should be formally recorded.	C	A formal record will be made of the sample checks made.	Yes	Administration Manager (Finance / Personnel)	31/3/14
3.2	Maintenance of Assets R3 The Board should consider improving its current maintenance arrangements by developing a formal maintenance plan for its assets, together with monitoring arrangements.	C	A maintenance plan will be developed and attached to the asset management guidelines.	Yes	Depute Assessor	28/2/14



Main Report

1. General

1.1 Observation

Asset management guidelines, which cover the recording of assets, asset maintenance and disposal have been drafted by the Depute Assessor; however these guidelines have yet to be discussed by the Board's management team and uploaded on to the intranet.

Risk

Staff at the Board are unaware of the asset management guidelines in place and as a result do not follow the correct procedure giving rise to an increased risk of loss or deterioration of an asset.

Recommendation

R1 A timetable should be established for having the Board's management team discuss and approve the asset management guidelines. Once approved the guidelines should be uploaded on to the Board's intranet within a reasonable timescale.

Benefit

This will provide further assurance that Board assets are safeguarded.

2. Recording of Assets and Checking Physical Existence

- 2.1 Inventory lists are maintained by each of the Board's offices. These lists record the furniture, office and catering equipment and items such as laser measuring devices and digital cameras held by the office. In addition, the Board's IT section maintains a register of computer equipment known as the 'Complete Hardware Register'. All items within the 'Complete Hardware Register' that individually or collectively exceed £500 are recorded within the Board's 'Headquarters Asset Register' and purchased through the Board's capital budget.
- 2.2 The inventory lists record each item's ID number, the location of the item, the date the item was acquired (if known), maintenance details, safety checks and disposal information. The 'Complete Hardware Register' and 'Headquarters Asset Register' record each item's internal number, serial number, location, date acquired, cost, order number, faults, repairs, replacement parts, date of disposal, reasons for disposal and method of disposal.
- 2.3 Additions and disposals to the 'Headquarters Asset Register' are processed by the IT Administrator and copy invoices for additions and disposals are kept in addition to those maintained as part of the Purchase Ledger System. All invoices relating to capital purchases are coded to the capital account within the Board's ledger.
- 2.4 The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The current SLA covers the period April 2013 to March 2015. The service provided includes maintenance of the Board's General Ledger and the preparation of annual statutory accounts. As part of the year-end accounts process the Council reconciles the Board's 'Headquarters Asset Register' to the Fixed Asset Register (FAR) maintained by the Council. Our review found that the 2012/13 fixed asset reconciliation and FAR was submitted to the Board's Administration Manager (Finance / Personnel) who investigates any variances and ensures adjustments are made, where necessary.

Main Report

2. Recording of Assets and Checking Physical Existence (Continued)

2.5 Observation

In accordance with the Board's Financial Regulations the Assessor shall ensure that a sample of higher value, portable and desirable assets is physically checked on an annual basis. Our Internal Audit Report 2011/07, issued in October 2011, was unable to confirm that physical checks had taken place as the Administration Manager, responsible for carrying out the checks, had recently retired. Discussion with the Administration Manager (Finance / Personnel) highlighted that physical checks are performed however the checks are not recorded.

Risk

Physical checks on assets are not performed, resulting in the failure to identify assets that have been lost or stolen on a timeous basis.

Recommendation

R2 The physical checks performed on a sample of higher value, portable and desirable assets should be formally recorded.

Benefit

There will be evidence that physical checks have been carried out to identify any assets that have been lost or stolen.

- 2.6 During our visit to the Dundee office we randomly selected year assets and traced these back to the 'Headquarters Asset Register'. In addition, we traced three assets from the Register to the physical item and in each instance our testing proved satisfactory.

3. Maintenance of Assets

- 3.1 The Board's Service Plan 2012-15 indicates that the continuing effective delivery of the department's services is dependent on its IT section and that the major task of the IT Development Manager and his staff is to continue to maintain existing systems and to develop and provide new and altered systems to meet the needs of the department.

3.2 Observation

Internal Audit Report 2011/07 identified that there were no formal maintenance plans for assets at the Board and recommended that such plans, together with monitoring arrangements, should be developed. Our current review found that this recommendation has not yet been implemented. At present there is a rolling programme for the replacement of IT equipment, and repairs are carried out as and when required. Certain IT equipment, such as network printers, have in-built monitoring systems which alert users to the fact that routine maintenance is required. As noted within Internal Audit Report 2011/07, an overview of the Board's IT equipment and its maintenance is performed by IT staff in conjunction with the IT working group.

Risk

Without a maintenance plan in place, there is a risk that assets are not being fully maintained, impacting on the continuing effective delivery of the Board's services.

Recommendation

R3 The Board should consider improving its current maintenance arrangements by developing a formal maintenance plan for its assets, together with monitoring arrangements.

Benefit

This will provide further assurance that assets are being fully maintained, reducing the risk of disruption to the Board's services.

Main Report

4. Periodic Review of Assets

- 4.1 Staff at the Board perform annual electrical equipment visual inspections. In addition, Portable Appliance Testing (PAT) is carried out every three years by an outside contractor. Our review confirmed PAT testing was last performed in October 2013.
- 4.2 The Board's Financial Regulations state that the Assessor, in conjunction with the Treasurer, shall annually or as necessary review all insurances. All insurances are maintained though the Board's SLA with Dundee City Council; and a General Risk Management Insurance Policy was noted to be in place for the year to 1 April 2014.

5. Asset Disposals

- 5.1 Asset disposal guidelines have been drafted, which highlight when it is reasonable to dispose of assets, who must authorise disposals and the ways in which assets can be disposed. These guidelines have yet to be approved by the Board's management team and uploaded on to the intranet. We have recommended that a timetable is established for completing this task (refer to paragraph 1.1 above).
- 5.2 The Board's IT Administrator advised that she was responsible for determining when assets on the 'Headquarters Asset Register' were to be disposed. At the time our audit was performed four disposals had been put through the 'Headquarters Asset Register' during 2013/14 and each disposal had been input by the IT Administrator.
- 5.3 The Board uses a recycling disposal company to pick up and dispose of IT equipment and a certificate of disposal is obtained, where appropriate. Our review found that a certificate of disposal had been received for three of the four asset disposals identified. One of the assets was being held within the Board's server room awaiting collection and therefore no certificate had been obtained.

6. Capital Approval Process

- 6.1 Three-year capital expenditure budgets are prepared by the Assessor, in conjunction with the Treasurer, and reported to the Board annually. The capital programme for financial years 2012/13 to 2014/15 was approved by the Board in January 2012 and an updated capital expenditure programme for 2013/14 to 2015/16 was approved at the Board's meeting in January 2013.
- 6.2 In order to determine the capital budget that will be required each year the Board's IT section prepare a list of the items to be purchased, such as PCs, scanners and printers, and the costs attributed to each item. This detailed breakdown is not supplied to the Council; however the Council monitors the overall level of capital spend to ensure that spend does not exceed budget. All expenditure coded to the capital account is reviewed by the Departmental Accountant at the Council and reallocated if necessary.
- 6.3 The Council issues monthly capital monitoring reports to the management team and Administration Manager (Finance / Personnel) at the Board, which highlight the budget for the year, total spend to date and projected outturn.



Main Report

6. *Capital Approval Process (Continued)*

6.4 The Board's tender procedures require:

- Board approval following full tender process for contracts over £25,000;
- Items between £25,000 and £10,000 are also subject to tender but do not need Board approval unless specifically requested; and
- Items below £10,000, down to £1,000 require three competitive quotes.

6.5 At the time our audit was performed there had been no asset purchased during 2013/14 with a cost exceeding £10,000. Three asset additions were randomly selected throughout the year and in each instance we found that three quotes had been obtained.



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Asset Management
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Summary of Main Findings and Recommendations

Asset management guidelines covering the recording of assets, asset maintenance and disposal have been drafted; however these have yet to be discussed and approved by the Board's management team and uploaded on to the intranet. We recommend that a timeframe is established for completing this task.

The Administration Manager (Finance / Personnel) advised that physical checks are performed on a sample of high value, portable and desirable assets on an annual basis; however these checks are not formally recorded and we recommend that this is done.

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3.2	Maintenance of Assets R3 The Board should consider improving its current maintenance arrangements by developing a formal maintenance plan for its assets, together with monitoring arrangements.	C	A maintenance plan will be developed and attached to the asset management guidelines.	Yes	Depute Assessor	28/2/14



Main Report

1. General

1.1 Observation

Asset management guidelines, which cover the recording of assets, asset maintenance and disposal have been drafted by the Depute Assessor; however these guidelines have yet to be discussed by the Board's management team and uploaded on to the intranet.

Risk

Staff at the Board are unaware of the asset management guidelines in place and as a result do not follow the correct procedure giving rise to an increased risk of loss or deterioration of an asset.

Recommendation

R1 A timetable should be established for having the Board's management team discuss and approve the asset management guidelines. Once approved the guidelines should be uploaded on to the Board's intranet within a reasonable timescale.

Benefit

This will provide further assurance that Board assets are safeguarded.

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Main Report

2. **Recording of Assets and Checking Physical Existence (Continued)**

2.5 *Observation*

In accordance with the Board's Financial Regulations the Assessor shall ensure that a sample of higher value, portable and desirable assets is physically checked on an annual basis. Our Internal Audit Report 2011/07, issued in October 2011, was unable to confirm that physical checks had taken place as the Administration Manager, responsible for carrying out the checks, had recently retired. Discussion with the Administration Manager (Finance / Personnel) highlighted that physical checks are performed however the checks are not recorded.

Risk

Physical checks on assets are not performed, resulting in the failure to identify assets that have been lost or stolen on a timeous basis.

Recommendation

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Benefit

There will be evidence that physical checks have been carried out to identify any assets that have been lost or stolen.

- 2.6 During our visit to the Dundee office we randomly selected year assets and traced these back to the 'Headquarters Asset Register'. In addition, we traced three assets from the Register to the physical item and in each instance our testing proved satisfactory.

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- 3.1 The Board's Service Plan 2012-15 indicates that the continuing effective delivery of the department's services is dependent on its IT section and that the major task of the IT Development Manager and his staff is to continue to maintain existing systems and to develop and provide new and altered systems to meet the needs of the department.

3.2 *Observation*

Internal Audit Report 2011/07 identified that there were no formal maintenance plans for assets at the Board and recommended that such plans, together with monitoring arrangements, should be developed. Our current review found that this recommendation has not yet been implemented. At present there is a rolling programme for the replacement of IT equipment, and repairs are carried out as and when required. Certain IT equipment, such as network printers, have in-built monitoring systems which alert users to the fact that routine maintenance is required. As noted within Internal Audit Report 2011/07, an overview of the Board's IT equipment and its maintenance is performed by IT staff in conjunction with the IT working group.

Risk

Without a maintenance plan in place, there is a risk that assets are not being fully maintained, impacting on the continuing effective delivery of the Board's services.

Recommendation

R3 The Board should consider improving its current maintenance arrangements by developing a formal maintenance plan for its assets, together with monitoring arrangements.

Benefit

This will provide further assurance that assets are being fully maintained, reducing the risk of disruption to the Board's services.

Main Report

4. Periodic Review of Assets

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Main Report

6. *Capital Approval Process (Continued)*

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