

**INTERNAL AUDIT REPORT.**

FROM: Mrs C Radford.  
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TO: Lynn Clayton.  
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c.c Mark Kimberley.  
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DATE: 8th August 2005.

**REVIEW OF DECORATING VOUCHERS.**

**1. INTRODUCTION.**

- 1.1 During a previous Creditors audit it was noted that payments were being made for the bulk purchase of decorating vouchers. A note was made on the Audit Planning and Monitoring Record, under points for future audits, to carry out a review of the use of these vouchers.

**2. CONDUCT OF THE AUDIT.**

- 2.1 The scope of this review was to ensure sound controls were applied to the storage and issue of these negotiable vouchers. A further consideration was to ensure that stocks were appropriately accounted for at year-ends.
- 2.2 Discussions were held with staff from housing section and records were reviewed and inspected covering the operation of the purchase, storage and issuing of decorating vouchers.

**3. EXECUTIVE SUMMARY.**

- 3.1 The controls currently in place to ensure the safe keeping of decorating vouchers and the procedures in place to record their issue, showed serious shortcomings. There was also no evidence of supervisory review over issues and stocks held.
- 3.2 The recommendations made in this report should be implemented immediately.

**AUDIT ASSURANCE.**

As a result of the work undertaken during the audit it was concluded that the controls covering the storage and issue of decorating vouchers are unsound.

**4. FINDINGS AND RECOMMENDATIONS. 1**

#### **4.1 Background.**

B&Q decorating vouchers are purchased in bulk, £5000, and are issued to tenants when they take up a new tenancy where the decoration of the new property is below standard. The standard of decoration is assessed as part of the void inspection process and a value of decorating vouchers to be issued is agreed.

From a short discussion with the Deputy Area Housing Manager (North) it is understood that the use of decorating vouchers is to reduce. It was stated that the void process had been updated so that some decoration to properties is carried out prior the property being re-let to the tenant.

The three invoices for the purchase of decorating vouchers, in the financial year, were authorised by the Housing Manager (Development and Resources). Under Financial Regulations this gives them a responsibility for the custody and accountability of the vouchers. This responsibility was delegated to the Area Housing Managers.

#### **4.2 Storage.**

During my initial brief discussion with the Deputy Area Housing Manager (North) I asked who could provide me with details of how vouchers are stored, controlled and issued and she referred me to a Housing Assistant. On speaking to the Housing Assistant she said she had no specific responsibility for the decorating vouchers. She assisted in ordering new stocks but Housing Officers issued the vouchers to tenants and completed the log.

The stock of decorating vouchers is kept in a locked cabinet in the office now occupied by the Housing Officer team. Another Housing Assistant holds the key to the cabinet.

The key to the cabinet was obtained and a lockable cash box was removed. The cash box was not locked and the key was in the lock. Together with the Housing Assistant I counted the stock of vouchers. The total counted of the three denominations, amounted to £1550.

Whilst counting the above vouchers the Housing Assistant who held the cabinet key came across with a jiffy bag containing vouchers. These were counted giving a further £2675 worth of vouchers. The Housing Assistant said these were further stocks, probably the last vouchers received, held in a different part of the cabinet.

The total stock held at 26/5/05 was £4225.

#### **4.3 Issue Procedures.**

As vouchers are issued Housing Officers obtain the key to the cabinet, take out the value of the decorating allowance agreed to be paid to the tenant and record the issue on a log. This records the address, the amount and the date. There is no initialling of the issue by the Housing Officer. Support for the issue is held on the property file as part of the void inspection/letting procedures. There appears to be gaps in the log and some early log sheets are scraps of paper.

A review of issues from November 2004 to April 2005 shows that an average of £550 of vouchers were issued each month. This would give an annual usage of around £6600. A total of £15000 worth of vouchers were purchased in the current financial year. The stock held at the count was £4225 and issues in May to date totalled £290. Without taking into account any stock brought forward this would give a shortfall of vouchers of around £4000. This could be accounted for by higher numbers of decorating vouchers being issued in the early part of 2004-2005. However Audit are unable to fully check the issues during that period since the logs covering part of that period are incomplete or missing.

**Note:** An investigation has now been carried out by the Housing Department. This review

covered the whole three year period since the introduction of the scheme. The investigation brought together the issues recorded on the monitoring sheets and the records kept by the Rent and Resources section, neither of which were complete. This list was then compared with a list of houses let in the period. For addresses shown on the let list that did not appear on the monitoring or Rent and Resources section records the house file was obtained. The house files were then reviewed for evidence of the authorisation or issue of vouchers. The results of this review have reduced the value of vouchers unaccounted for to £680, which represents approximately 2% of the total value purchased over the life of the scheme. In addition to this, the housing investigation showed an average spend over the last financial year of £805 per month.

The report puts forward the following to account for the difference:

- Breaches of procedure throughout the scheme.
- Missing files.
- Vouchers issued as a result of repairs, rather than voids.

#### **4.4 Findings.**

1. There appears to be no person with responsibility for the security and issue of stocks.
2. No supervisory review is undertaken to review issues and check stocks.
3. The format of the issue log does not record the rolling stock figure or record the person who issued the vouchers.
4. The issue procedure is lax. Housing Officers get the key and take vouchers and record on the log. The logs appear incomplete and early logs are scraps of paper.
5. The vouchers are stored in a locked filing cabinet with other equipment/papers. £2675 worth of vouchers were in a jiffy bag loose in the drawer. The remaining vouchers were held in a lockable cash box but this was not locked. The storage is not suitable given the value of the vouchers.
6. Stocks seem excessive against monthly issues of around £550 found in initial audit and £805 found in the Housing investigation.
7. The Principle Accountant(FP) has confirmed that he had not been made aware of any stock of vouchers held at 31/3/05. The value of stock at that date is estimated at £5115.

#### **4.5 Recommendations.**

1. The Responsible Officer is required to account for the discrepancy in actual stock. Management should review the findings and consider what Management action is required.
2. Responsibility for the safe keeping and issue of decorating vouchers should be allocated to a specific member of staff.
3. Supervisory review of the issue log and the counting of stock to agree to the rolling stock total should be undertaken, by a suitable officer, on a monthly basis
4. The issue record should include the name of the staff member who received/issued the vouchers and the record should include the rolling stock total. Support for issues should be held with the log.
5. The issue procedure needs to be carried out under the control of the person made responsible for their security and issue.
6. Arrangements for safe secure storage should be made so that access is restricted and vouchers are held under lock and key.
7. That future orders are placed to cover a period of not more than three months based on average issues.
8. Consideration should be given to the accounting implications of the stocks held at 31/3/2005.

*Charlie*

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Manager of Resource Services

## IMPLEMENTATION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.5.1 High	It is <b>recommended</b> that the Responsible Officer is required to account for the discrepancy in actual stock. The findings should be reviewed and consideration should be given as to what Management action is required.	Head of Housing	Agreed. Report produced 25 <sup>th</sup> July.	Implemented.
4.5.2 High	It is <b>recommended</b> that the responsibility for the safe keeping and issue of decorating vouchers is allocated to a specific member of staff.	Rent and Resources Manager.	Agreed.	July 2005
4.5.3 High	It is <b>recommended</b> that supervisory review of the issue log is undertaken and stock is counted and agreed to the rolling stock figure, by a suitable officer, on a monthly basis.	Rent and Resources Manager	Agreed to carry out regular monitoring of stock on a monthly basis.	July 2005
4.5.4 Med	It is <b>recommended</b> that the issue log is amended to include the name of the member of staff receiving/issuing the vouchers. The log should also record the rolling stock figure. Support for the issues should be held with the log.	Rent and Resources Manager	Agreed.	July 2005
4.5.5 High	It is <b>recommended</b> that issues are carried out under the control of the person made responsible for their security and issue.	Rent and Resources Manager	Distribution and recording of vouchers to be undertaken by limited individuals as determined by the Head of Service.	July 2005
4.5.6 High	It is <b>recommended</b> that arrangements are made for the safe secure storage of the vouchers so that access is restricted and vouchers are held under lock and key.	Rent and Resources Manager.	Agreed. All vouchers to be kept in a locked safe.	July 2005
4.5.7 Med	It is <b>recommended</b> that future orders are placed to cover a period of not more than three months based on average issues.	Rent and Resources Manager	Agreed	July 2005 onwards.

<b>4.5.8</b> <b>Low</b>	It is <b>recommended</b> that the accounting implications are considered in respect of the stocks held at 31/3/2005.	Financial Services Manager.	As the ledgers for 2004/05 are closed and the amount involved is not material, it is not proposed to make any adjustment to the 2004/05 accounts. The issue will be reviewed in 2005/06.	March/April 2006
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