

**Internal Audit Report
Executive Summary****CONFIDENTIAL**

To: Head of Finance
Subject: Insurance & Inventory
Report reference: GBC37
Date: July 2006

1 Introduction

- 1.1 The attached report sets out the findings and recommendations arising from a review of insurance and inventory arrangements within the Finance Department, excluding the processing of insurance claims.
- 1.2 In addition there are four further reports relating to the following Departments:
- Personnel & Organisational Development
 - Housing Services
 - Direct Services
 - Legal & Administrative Services.
- 1.3 A summary of recommendations (Appendix A) and a summary of findings (Appendix B) are also attached.

2 Objectives and scope of the audit

- 2.1 The objectives of the audit were the following:
- to document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness; and
 - to test transactions for compliance with documented procedures and controls.
- 2.2 The following control objectives were examined within the scope of the audit:
- Accurate and up to date inventories are maintained
 - Valuations are reasonable for insurance purposes.

3 Main Finding

The main finding of the audit was that:

- Inventories across the Authority are not up-to-date and are not being maintained in accordance with the Authority's procedure notes.
- The recommendation made in the previous report GBC 34 regarding the updating of the Insurance Procedures Manual has not yet been implemented.

4 Audit opinion

- 4.1 In our opinion, most of the arrangements for maintaining inventories are unsatisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the required standards.

Audit conducted by:
Tony Maycock – Auditor

Audit supervised by:
Roger Smith ACMA - Assistant Audit Manager

J K Nash CPFA
Assistant Treasurer



Internal Audit Service

CONFIDENTIAL
Internal Audit Report



To: *Head of Finance*
Subject: **INSURANCE & INVENTORY**
Audit Report Ref.: **GBC37 – Finance**
Auditor: **Tony Maycock**
Date: **February 2006**

Control objective 1: Inventory records are maintained in accordance with Authority's standards.

Risk: The Department fails to record and insure some or all the assets under its control.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
1.1 A nominated officer is responsible for the maintenance of the inventory records.	The Insurance Officer has overall responsibility, though the day-to-day maintenance of inventories is delegated to various officers within Finance who are responsible for their own areas.	ES Y	
1.2 Up-to-date Procedure manuals for the maintenance of inventories are held by the site/department.	<p>A copy of the Insurance Procedures Manual is held by the Resources office within Finance though it has not been updated for several years.</p> <p>A recommendation concerning the updating of the Insurance Procedures Manual made and accepted in audit report GBC34 has still not been implemented. This was due to be completed by the end of the 2005/06 financial year.</p>	PARTLY	<p>The Insurance Procedures Manual should be updated as a matter of urgency and distributed to all Departments.</p> <p>(Medium Risk)</p> <p><u>Response of the Head of Finance</u> The Insurance procedure manual will be updated and distributed to all Departments.</p> <p><u>Officer Responsible</u> Resource Services Manager</p> <p><u>Date for Implementation</u> 31/10/06</p>

Control objective 1: Inventory records are maintained in accordance with Authority's standards.

Risk: The Department fails to record and insure some or all the assets under its control.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
1.3 Inventories are kept in the prescribed format and inventory records are passed to Resource Services by the required deadline.	Inventory records are maintained in the corporate format.	YES	
1.4 Inventory records are accurate and acquisitions made by the department are added to the inventory in a timely manner.	<p>A sample of 7 items from the Finance inventory was selected for physical verification.</p> <p>Three of these items were identified as being under the ownership of the Resources office. All items were found.</p> <p>Four items were then selected from the Secretaries inventory. Two typewriters included within the sample of four had been disposed of and no supporting documentation could be found to confirm disposal in accordance with the Insurance Procedures Manual. A Dictaphone and fax machine were also listed on the Secretaries inventory but had since been moved to other offices.</p>	NO	<p>The transfer of inventory items between offices should be recorded in the inventory promptly. (Medium Risk)</p> <p><u>Response of the Head of Finance</u> Following the update of the Insurance procedures manual, briefings will be provided to relevant staff to ensure awareness and compliance with procedures. Compliance will be monitored through further audit activity during 2006-07.</p> <p><u>Officer Responsible</u> Resource Services Manager</p> <p><u>Date for Implementation</u> 31/10/06</p>
1.5 Inventory descriptions are sufficient to readily identify equipment held by the Authority and serial numbers are recorded where possible.	Item descriptions were generally sound, with make, model and serial number being recorded.	YES	
1.6 Valuations included within the inventory are realistic and only apply to assets for which the Department has direct responsibility.	The value of items recorded within the inventory appears to be reasonable.	YES	
1.7 Items deemed to be attractive and portable	Valuable, portable items are not security marked in	NO	In accordance with Financial Regulation 3.74,

Control objective 1: Inventory records are maintained in accordance with Authority's standards.

Risk: The Department fails to record and insure some or all the assets under its control.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
are identified and security marked.	contravention of Financial Regulation 3.74.		<p>items deemed to be desirable, valuable or portable should be security marked, along with any associated accessories</p> <p>(Medium Risk)</p> <p><u>Response of the Head of Finance</u> Following the update of the Insurance procedures manual, briefings will be provided to relevant staff to ensure awareness and compliance with procedures. Compliance will be monitored through further audit activity during 2006-07.</p> <p><u>Officer Responsible</u> Resource Services Manager</p> <p><u>Date for Implementation</u> 31/10/06</p>
1.8 A hard copy of the listing is produced and checked annually and signed by a senior member of staff.	<p>A hard copy of the previous year's Resources inventory has been printed as a basis of the current year's full check, although this document had not been signed and dated as evidence of the check.</p> <p>No hard copy printout was available for the Secretaries office.</p>	NO	<p>Hard copies of inventories should be printed annually, checked and signed by a senior member of staff - in compliance with the Insurance Procedures Manual.</p> <p>(Medium Risk)</p> <p><u>Response of the Head of Finance</u> Following the update of the Insurance procedures manual, briefings will be provided to relevant staff to ensure awareness and compliance with procedures. Compliance will be monitored through further audit activity during 2006-07.</p> <p><u>Officer Responsible</u> Resource Services Manager</p> <p><u>Date for Implementation</u> 31/10/06</p>

Control objective 1: Inventory records are maintained in accordance with Authority's standards.

Risk: The Department fails to record and insure some or all the assets under its control.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
1.9 Disposals are recorded on the relevant document (Appendix E of the Insurance Manual) and forwarded to Resources.	Two disposals had occurred within the Secretaries office but the items had not been subject to the formal disposal process as outlined in the Insurance Procedures Manual.	NO	<p>All disposals should be recorded and processed in accordance with the procedures set out in the Authority's Insurance Manual.</p> <p>(Medium Risk)</p> <p><u>Response of the Head of Finance</u> Following the update of the Insurance procedures manual, briefings will be provided to relevant staff to ensure awareness and compliance with procedures. Compliance will be monitored through further audit activity during 2006-07.</p> <p><u>Officer Responsible</u> Resource Services Manager</p> <p><u>Date for Implementation</u> 31/10/06</p>
1.10 Omissions are investigated and documented with results notified to Resource Services along with any necessary amendments to the listing and insurance policies.	Although no omissions were identified by staff responsible for the preparation of office inventories on this occasion, we are satisfied that an appropriate procedure is in place to do this.	YES	

Control objective 2: Staff responsible for assets are aware of the Authority's claims procedure.

Risk: Potential insurance claims are not identified and claims may be prejudiced as a result of not following established procedures.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
2.1 A nominated officer is responsible for	The Area Housing Managers have responsibility for the	1 Y E	

Control objective 2: Staff responsible for assets are aware of the Authority's claims procedure.

Risk: Potential insurance claims are not identified and claims may be prejudiced as a result of not following established procedures.

Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
recording and submitting claims.	recording and submission of claims.	S	
2.2 The claims procedure is documented and adhered to by staff.	The Basic Guide to Processing Insurance Claims is held within the office.	YES	



Test 1: Confirmation of a selection of stated inventory items

Department/Site: Finance (Resources & Secretaries)

Contact Sue Sissons & Sue Rumbold

Date: 04/10/2005

Items selected for physical vouching:

No.	Location	Description	Serial No.	Qty	Unit	£	Vouched	Diff
1	Resources	Air Conditioner	8190068	1	£600	£600	√	
2	Resources	Video (Sony SVT1000P)	007324	1	£2,500	£2,500	√	
		Camera		1			√	
		The camera and video are a combined investigation unit.						
3	Secretaries	Fax m/c BT Paperjet 50	D451666	1	£115	£115	X	
		The Fax machine has been relocated to the General Office within Finance. On enquiry it was found that the make and model had changed.						
4	Secretaries	Dictaphone (GBC 00322)	1354	1	£360	£360	X	
		The Dictaphone has been relocated to the Chief Executives office.						
5	Secretaries	Olivetti ET2500	8581130	1	£150	£150	X	
6	Secretaries	IBM 6747	1351015	1	£150	£150	X	
		Both the above typewrites have been disposed of.						