

# **Causeway Coast and Glens Borough Council**

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## ***Internal Audit Report Estates & Facilities Asset Management***

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November 2021



# INTERNAL AUDIT REPORT

## Estates & Facilities

### Executive Summary

This internal audit was completed in accordance with the Council's approved annual Internal Audit Plan. This report summarises the findings arising from a review of Estates asset management activities.

The table below summarises the key areas of potential risk reviewed:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be no formally documented asset management policy in place leading to inconsistencies in how plant and equipment assets are managed	-	2	-
There may be insufficient controls in place for recording asset additions and disposals resulting in incomplete asset registers	-	2	3
There may be inadequate procedures in place in relation to the monitoring and safeguarding of Council assets leading to increased risk of misappropriation of assets	-	1	1
There may be a lack of control over equipment and assets maintenance which could lead to assets not being safely maintained in working order and/or work being delayed	-	1	-
<b>Total recommendations made</b>	<b>-</b>	<b>6</b>	<b>4</b>

Based on our audit testing we are able to provide the following overall level of assurance:

#### Limited Assurance

There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

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All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

## 1. Objective

The audit objectives as agreed with management prior to commencing the engagement were to ensure that:

- There are adequate procedures in place to manage the identification, transfer and disposal of council vehicles, plant and equipment assets in the area of Estates; and
- There are adequate systems in place to track vehicles, plant and equipment assets acquired and owned by Council in the area of Estates.

## 2. Background

Causeway Coast and Glens Borough Council was established in 2015 with the new structure being derived from the amalgamation of Limavady, Coleraine, Ballymoney and Moyle (Ballycastle) district councils. The new council structure combines estates and facilities for what was previously managed by the four district councils with overall responsibility allocated to the Director of Environmental Services. Estates is managed by a Head of Estates who is supported by the Estates Area Manager, an Asset Officer and three Technical Officers. Two Estates Technical Officer positions have been vacant for at least 18 months.

There are five Estates depot supervisors based at four depots and one satellite depot where Estates vehicles, plant and equipment is stored. The four main depots were inherited from the district councils and are based at Limavady, Coleraine, Ballymoney and Ballycastle. A new satellite depot has been created at Portrush. Large equipment and plant is located in the depot yards whereas small equipment such as hand tools, and small plant is stored inside locked buildings.

Responsibility for the maintenance of the Estates road using vehicles and plant is performed by the councils operational services garage. The garage is required to ensure that all vehicles are roadworthy and comply with government vehicle testing requirements e.g., PSV's and brake testing for Heavy Goods Vehicles and Light Goods Vehicles. All Estate vehicles users are required to have the appropriate licence to enable them to operate any vehicle within the Estates fleet. Insurance services is responsible for ensuring that all council vehicles, plant and equipment above £1,000 in value are adequately insured.

The Head of Estates is responsible for managing the Estates budget. The 2022 capital budget for vehicles, plant and small equipment is £355,000. For capital purchases, the Head of Estates can authorise procurement up to £1,000, the Director of Environmental Services can authorise up to £10,000 and anything above that must go to the council for authorisation. The recurrent budget for Estates is prepared on an incremental basis.

COVID 19 has impacted on the ways that Estates have operated over the past 18 months. Many office-based staff have worked from home, however some including the Estates area manager has maintained a physical presence in the areas where services are delivered. Day to day activities have required social distancing measures to be put in place which have increased costs e.g., there has been an increased number of hire vans to transport staff to ensure social distancing is maintained. COVID has also impacted on vehicle maintenance due to delayed PSV tests being completed. As there were no vehicles tested in 2020 there is an increased workload during 2021 to ensure that all vehicle certificates are up to date.

The scope of this audit was to review the arrangements in place within the Council in relation to vehicles plant and equipment asset management, focusing on risks associated with:

- Asset management policies and procedure.
- Identification, recording, movement and disposal of assets.
- Security & safeguarding of assets.

The period covered by the audit was March 2019 to September 2021.

### **3. Risks**

The risks identified by Internal Audit relating to Estates asset management for vehicles, plant and equipment are as follows:

1. There may be no formally documented asset management policy in place leading to inconsistencies in how vehicles, plant and equipment assets are managed.
2. There may be insufficient controls in place for recording asset additions and disposals resulting in incomplete asset registers.
3. There may be inadequate procedures in place in relation to the monitoring and safeguarding of Council assets leading to increased risk of misappropriation of assets.
4. There may be a lack of control over asset maintenance which could lead to assets not being safely maintained in working order and/or work being delayed.

### **4. Audit Approach**

Our audit fieldwork comprised:

- Understanding asset management processes and procedures through document review and via discussions with key staff.
- Consideration of the key risks within the audit areas identified.
- Examining relevant budget, procurement, asset management, maintenance and disposal controls.
- Carrying out a preliminary evaluation of the asset management arrangements and controls in operation within the Council.
- Testing the key arrangements and controls with site visits to inspect physical security of assets and ensuring adequate tagging of Council assets.
- Testing the completeness and accuracy of records.
- Keeping Estate personnel updated of audit progress and observations as they arise.

## 5. Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of the key controls considered is included in Appendix II to this report.

### Risk 1 – Asset Management Policy and Procedures

ISSUE 1 – Documented Asset Management Policies and Procedures	
<b>a) Observation-</b> There are no documented asset management policies and procedures in place for Estates. There are some informal policies and procedures in operation regarding procurement of assets, asset registers and lists, maintenance, and disposal of assets. However, these informal policies and procedures are generally based on what occurred in the legacy district councils rather than what should be happening at CCAG Borough Council. As the informal policies and procedures have developed over time at the four district councils, there is no single uniform approach to how assets are managed at different sites of the Council.	
<p>A number of previous internal audits (Asset Management and Grounds Maintenance) have recommended an asset and equipment management policy and procedure be agreed and documented. This has been accepted by the Senior Leadership Team and work is ongoing to develop a high-level cross-Council policy on asset management.</p>	
<b>b) Implication-</b> There is a risk of inconsistency in how asset management policies and procedures are applied among personnel within Estates. The lack of a single documented policies and procedures indicating functions and responsibilities weakens accountability for asset management. It also reduces economy and efficiency in the utilisation of Council assets including human resources needed to manage assets.	
<b>c) Priority Rating-</b> 2	
<b>d) Recommendation-</b> A central Council wide policy on asset management should be finalised and adopted. Estates and Facilities should coordinate with finance, the operations garage, and insurance services to develop formal asset management policies and procedures specifically for Estates in line with the agreed Central policy of Council.	
<b>e) Management Response-</b> A nominated officer will lead on the development and implementation of an Estates Asset Policy following input from other departments	
<b>f) Responsible Officer &amp; Implementation Date-</b> G Doyle Head of Estates. March 2022 subject to staff resource being made available	

## ISSUE 2 – Staffing

- a) Observations-** There are three Technical Officer positions within the Estates structure two of which have been vacant for some time. While there is an Assets Officer position in the Estates structure, Audit was advised that individual is fully engaged addressing facilities maintenance issues.

Depot supervisors or those acting up as supervisors have not been trained in a formal set of Council wide asset management procedures including the procedures for maintaining assets, securely storing assets and keeping up to date assets lists and tagging assets.

The lack of documented policies and procedures have resulted in inconsistencies between the various depots in how asset management procedures are implemented including the preparation of and updating of asset lists, as well as the tagging of assets. This was evidenced during Audit testing (see Issues 3, 4 &5 below).

- b) Implications-** Audit has been advised that the reduced staffing complement impacts on resource availability to develop asset management policies and procedures

- c) Priority Rating-** 2

- d) Recommendations-** Estates should assess its staffing structure to determine if one of the currently vacant Technical Officer positions could be reallocated to an Assistant Asset Officer position. The new position would support the Asset Officer and be responsible for development and implementation of asset policies and procedures within the Estates team. The position should be filled as soon as possible. Filling the remaining vacant Technical Officer position should also be prioritised.

Job descriptions should be updated to reflect asset management responsibilities at all levels within Estates to align them with the new asset management policies and procedures and the allocation of responsibility for assets.

The task of documenting asset management policies and procedures should be allocated to an appropriately senior staff member within Estates. If that is not possible, the Head of Estates should consider outsourcing the development of the asset management policies and procedures to a third party.

As an interim measure, the area manager should ensure that all depot supervisors are preparing asset lists and asset tags for vehicles, plant and small equipment in a uniform manner.

Once the asset management policies and procedures are prepared and approved, the area manager should ensure that all depot supervisors and other relevant staff are trained on the new policies and procedures.

- e) Management Response-** Discussions are ongoing with the Director to identify and fill priority vacancies which, in turn, will facilitate the development and implementation of the Asset Policy (along with other priorities)

- f) Responsible Officer& Implementation Date-** G Doyle, Head of Estates. March 2022 subject to staff resource being made available

## Risk 2 – Asset Additions, Disposals and Registers

### ISSUE 3 – Asset List Format

- a) **Observation-** Asset lists are retained for all sites however, it was noted that they are not prepared in the same format, nor do they contain the same data, nor are they consistently updated (see Issue 5).

A review of the asset lists provided indicates that some assets owners are included on the asset list using first name only. In many instances the asset lists do not contain all the asset details such as the site address where the asset is located, asset owner, identifying number, detail / description of the asset and the asset purchase cost. The asset registers for each site are therefore not complete and not accurate, nor can they be easily consolidated to develop a single asset register for Estates as the asset lists are prepared using MS Word for Ballymoney and Ballycastle depots and MS Excel for the remaining depots with data manually input into standalone documents.

- b) **Implication-** The asset lists maintained in their current format have less value as either a control mechanism or a management tool. Due to the limited accuracy and completeness of the asset lists, assets may become vulnerable to misuse and theft. As asset lists are incomplete, they are of limited value for preparing asset replacement and maintenance schedules.

- c) **Priority Rating-** 2

- d) **Recommendation** – An up-to-date asset list should be maintained for all depots where assets are located. The data included on the asset lists should be standardised and uniform in presentation. All data should be captured using the same software which initially could be MS Excel. However, over time the Council should migrate towards a centralised web-based system which will enable the generation of a consolidated Estates asset register from a central location. The nominated officer should work closely with the depot supervisors to deliver accurate and complete asset lists. There is also a need to review the data currently being collected in the asset lists and ensure that all relevant asset data is collected in future to populate an asset register so that it can operate as a management tool to support asset maintenance and asset replacement in addition to operating as a control mechanism.

- e) **Management Response** – As part of the development of the policy, the nominated officer will consult with the Supervisors to develop an appropriate system of record keeping which will contain all of the relevant information pertinent to maintaining control of Estates assets.

- f) **Responsible Officer& Implementation Date** – G Doyle, Head of Estates. March 2022 subject to staff resource being made available

### ISSUE 4 – Asset Tags

- a) **Observation-** Audit testing revealed that in Coleraine and Limavady depots, a combination of asset tags and serial numbers are used as asset identifying numbers. 40 of the 64 assets inspected were tagged while 23 assets were identified by serial number. For Ballymoney depot none of the 45 assets inspected were tagged and all assets were identified by serial number, however 6 out of 45 assets inspected had the incorrect serial number included in the asset list.

<p>During the depot site visits, it was noted that asset tags are printed on regular paper at some depots e.g. Portrush and are becoming illegible on assets which have been exposed to external weather conditions.</p>
<p><b>b) Implication-</b> There is an increased risk of asset theft particularly for smaller assets. It is more difficult to manage the maintenance and utilisation of assets and perform random checks on assets that are not tagged.</p>
<p><b>c) Priority Rating-</b> 3</p>
<p><b>d) Recommendation -</b> Depot supervisors should ensure that weatherproof asset tags are fixed to all Estates vehicle, plant and equipment assets. A uniform approach should be adopted to asset tagging with each asset given a unique asset number for ease of reference.</p>
<p><b>e) Management Response -</b> As part of the development of the policy, the nominated officer will consult with the Supervisors to develop an appropriate durable system of tagging assets which will contain all of the relevant information pertinent to traceability.</p>
<p><b>f) Responsible Officer &amp; Implementation Date –</b> G Doyle, Head of Estates. March 2022 subject to staff resource being made available</p>

ISSUE 5 – Updates to Asset Registers / Lists
<p><b>a) Observation-</b> Audit testing revealed that asset registers and lists are not always updated immediately after a purchase or an asset disposal. During the depot site visits it was noted that a recently acquired Honda generator had not been incorporated onto the most recent asset list for Portrush depot. Audit also noted 19 existing assets located at the four depots that were not included on the asset lists.</p>
<p><b>b) Implication-</b> Assets become vulnerable to theft and misuse when not recorded on the asset lists and register in a timely manner</p>
<p><b>c) Priority Rating-</b> 3</p>
<p><b>d) Recommendation –</b> Asset lists to be updated in standard Excel format for all depots as outlined above. Asset lists to be validated once updated and regular random checks performed on asset lists to ensure they are up to date.</p>
<p><b>e) Management Response –</b> Supervisors to immediately carry out a stock take of assets to ensure that everything is listed. Further to the development of the asset policy, these lists will be further refined in terms of required information and format.</p>
<p><b>f) Responsible Officer &amp; Implementation Date –</b> G Doyle, Head of Estates. March 2022 subject to staff resource being made available</p>

## ISSUE 6 – Asset Planning, Budgeting and Replacement Procedures

- a) Observation-** There is no formal policy in place which defines the useful economic life of an asset and no defined asset replacement policy. Audit was advised the unwritten policy is that assets are only replaced when they become uneconomical to repair.

Capital budgeting for vehicles, plant and equipment is based on the replacement cost for those assets deemed uneconomical to repair. Audit was advised that assets can only be replaced on a like for like basis. If a change in asset type is requested a business case must be prepared and approval sought prior to inclusion of the new asset type in the asset budget.

- b) Implication-** Asset planning is reactionary rather than proactive. This approach results in the risk of increasing asset running and maintenance costs, increased downtime of assets and increased loss of productivity. Asset replacement on a like for like basis increases the risk of not identifying potential efficiencies and economic benefits.

- c) Priority Rating-** 2

- d) Recommendation –** The asset replacement / planning and capital budgeting policy should be assessed to ascertain if it is delivering best value for money for the Council. The assessment should consider best practice e.g. life cycle costing, optimal renewal, and benchmark against approaches being adopted to asset replacement by similar organisations. The review should be conducted jointly by Estates and Finance. The starting point for any such policy is a comprehensive, accurate and up to date list of assets.

- e) Management Response –** The proposed policy to include a template for the replacement of vehicles and plant.

- f) Responsible Officer & Implementation Date –** G Doyle, Head of Estates. March 2022 subject to staff resource being made available

## ISSUE 7 –Notification to Finance of Asset Receipt or Disposal

- a) Observation-** Estates do not formally notify finance when a new asset is acquired / received or when an asset disposal occurs. Audit was informed that finance will identify asset acquisitions from approved invoices submitted for payment and that it is assumed by Estate's personnel that disposals are identified from revenue recovered. Under the current informal business process, Estates complete a standard form to notify the insurance services when an asset is acquired or disposed of.

The informal disposal process exists for vehicles where a vehicle disposal form was recently introduced. It is completed with the vehicle details, its use, cost of repairs versus cost of replacement. The vehicle disposal form is then signed off by a manager, senior mechanic, license holder and the Director of Environmental Services. The vehicle is then removed from the insurance. The vehicle disposal form does not include a residual vehicle value at disposal nor the means through which the vehicle will be disposed of e.g., through tender or at auction etc. A similar process is followed for other non-vehicle assets.

- b) Implication-** Finance records may not be complete or accurate for financial reporting purposes.

<b>c) Priority Rating- 3</b>
<b>d) Recommendation</b> – When updating the asset management policy and procedures, ensure that any revised business process requires a notification to be sent to finance when a new asset is received, or an existing asset is disposed of. The updated policy and procedures should also require regular reconciliations to be performed between finance records and Estates records for assets.
<b>e) Management Response</b> - As part of the development of the policy the nominated officer will liaise with the Finance department to agree a format on how information is to be shared
<b>f) Responsible Officer &amp; Implementation Date</b> – G Doyle, Head of Estates. March 2022 subject to staff resource being made available

## Risk 3 – Assets Security

ISSUE 8 – Security of Portable Assets Stored at Depots
<p><b>a) Observations-</b> Audit was informed that the Council has incurred asset thefts at Ballymoney depot in 2021, when a power washer was stolen and at Ballycastle depot in 2019, when a trailer and lawn mower were stolen, and a teleporter was set on fire. Audit was advised that, the power washer was stolen from Ballymoney depot as a result of weak security in terms of both access to the depot and also poor locking mechanism on the building where the small plant and hand tools are kept when not in use. Audit verified that the locking mechanism has been upgraded but the building door still appears vulnerable.</p> <p>On a visit to the Ballymoney depot, Audit observed that it is situated with the town recycling plant to the front and a public graveyard to the rear, so it is easy for anyone to see inside the depot from those vantage points. The front gate of the depot opens automatically, and anyone can enter and leave between 7am and 7pm daily. One side of the depot is adjacent to agricultural land and the perimeter is secured with an aging wooden fence and some trees. It would be quite easy to enter the depot and remove plant and equipment via this point.</p> <p>There are no small plant or hand tools stored at Ballycastle store.</p> <p>Audit visited Limavady, Portrush and Coleraine depots and did not identify any major security issues.</p>
<b>b) Implication-</b> Any weaknesses in security at a depot increases the risk of asset theft.
<b>c) Priority Rating- 2</b>
<p><b>d) Recommendation</b> – Enhance the security arrangements at Ballymoney depot. The perimeter fencing needs to be strengthened. There is also a need to review accessibility at the automatic gates at the Ballymoney depot entrance and the timing of when those gates open and close.</p> <p>Assess the building door where small plant and hand tools are located, at Ballymoney depot, to determine if it is sufficiently secure and consider replacing with a more robust door and locking mechanism.</p>

<p><b>e) Management Response</b> – Immediate steps to be taken to review main gate operation and door security. Site security at Ballymoney Depot to be reviewed and a budget included for 2021/22 to make major improvements</p>
<p><b>f) Responsible Officers &amp; Implementation Date</b> – G Doyle, Head of Estates. January 2022</p>

ISSUE 9 – Physical Periodic, Ad hoc or Spot Checks
<p><b>a) Observation-</b> Audit was advised that there is no schedule of periodic checks on asset lists. No ad-hoc checks were performed on the assets to determine if all assets are in the correct location, to determine if asset lists are up to date and if all assets are tagged etc. The Estates Area Manager and the depot supervisors performed a check on assets in August 2021 to compare the asset listing between 2015 and 2021 at the request of a Councillor. During that review it was noted that some small equipment was missing e.g., strimmer’s, blowers etc.</p>
<p><b>b) Implication-</b> The absence of regular checks on assets increases the risk of theft and abuse of assets.</p>
<p><b>c) Priority Rating-</b> 3</p>
<p><b>d) Recommendation</b> – When updating the asset management procedures, Estates should incorporate procedural controls for: (i) periodic checking and updating of asset registers and lists; (ii) performing ad hoc physical checks on assets; (iii) resolving any discrepancies and updating registers based on the results of the checks.</p>
<p><b>e) Management Response</b> –The above issues to be addressed through the development of the Asset Policy which will detail the controls, who inspects and how often. It is anticipated that the Area Manager will periodically carry out these ad hoc inspections. The filling of vacancies within the Structure will also provide scope for informal checks/inspections by an officer independent from the depots.</p>
<p><b>f) Responsible Officer &amp; Implementation Date</b> – G Doyle, Head of Estates. March 2022 subject to staff resource being made available</p>

## Risk 4 – Asset Maintenance

### ISSUE 10 – Maintenance Services

**a) Observation-** A draft memorandum of understanding (MOU) has been prepared which defines responsibility for Estate's vehicle, plant and equipment maintenance which is divided between Estates and the operations garage. The MOU has not yet been approved.

There is a schedule of regular maintenance checks on plant & equipment

At present, the garage is responsible for ensuring all routine maintenance to vehicles e.g., six weekly and twelve weekly brake tests for heavy and light goods vehicles are carried out, annual PSV tests for the Estates fleet.

The operations garage is also responsible for ad hoc repairs to vehicles and large plant and machinery.

The maintenance policy or procedures are not formally documented.

It was reported during the audit that PSV tests have not always been performed when required by the operations garage while one van needs a new ignition switch and has been in the garage for six weeks as a result. Most Estates depot managers reported delays in returning vehicles when presented to the operations garage for maintenance.

**b) Implication-** Any delays in managing the repairs to equipment and/or vehicles increases the risk of an asset not being safely maintained in working order. Delays in performing maintenance to Estates vehicles and plant by the operations garage has resulted in vehicles being leased to cover the loss of vehicles and plant for extended periods.

**c) Priority Rating-** 2

**d) Recommendation** - The memorandum of understanding (MOU) which defines responsibility for Estate's vehicle, plant and equipment maintenance should be agreed amongst all relevant parties, finalised and agreed as soon as possible. The asset maintenance procedures should be reviewed and documented when the overall asset management policies are being prepared. The asset maintenance procedures should ensure flexibility in approach when dealing with maintenance of vehicles and plant and include provision to ensure the maintenance is carried out within an appropriate timeframe e.g. use of external garage if necessary (under what circumstances and approval). All depot supervisors to be trained in the new policy when updated and approved.

**e) Management Response** – Head of Estates to meet with Head of Operations to further develop the MOU and its implementation

**f) Responsible Officer & Implementation Date** – G Doyle, Head of Estates. January 2022

# Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

## **Satisfactory Assurance**

*Evaluation opinion:* Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

## **Limited Assurance**

*Evaluation opinion:* There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

## **Unacceptable Assurance**

*Evaluation opinion:* The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## Appendix II: Summary of Key Controls Reviewed

Risk	Key Controls
<p>1. There may be no formally documented asset management policy in place leading to inconsistencies in how plant &amp; equipment assets are managed</p>	<ul style="list-style-type: none"> <li>• A Council asset management policy and procedure(s) is in place which covers plant &amp; equipment.</li> <li>• The asset management policy and procedure(s) should include details such as;               <ul style="list-style-type: none"> <li>○ how to ensure plant &amp; equipment assets are included on the Finance fixed asset register.</li> <li>○ how to ensure finance is aware of acquisitions and disposals of assets.</li> <li>○ how to maintain asset registers or inventories at Service Unit level.</li> <li>○ what details should be recorded on the register or inventory and how to ensure the details can be cross referenced to the Finance fixed asset register.</li> <li>○ details of any reconciliations between Finance asset registers and service level registers/inventories.</li> </ul> </li> <li>• Service level managers have received training on asset management.</li> <li>• The policy and procedure(s) have been communicated to staff, especially the relevant operational staff.</li> <li>• Asset management responsibility at the service level is clearly explained in the asset management policy and is understood by relevant management and staff.</li> </ul>
<p>2. There may be insufficient controls in place for recording asset additions and disposals resulting in incomplete asset registers</p>	<ul style="list-style-type: none"> <li>• Each manager responsible for assets has his/her own asset register/inventory to manage.</li> <li>• A fixed asset register records individual plant &amp; equipment assets including:               <ul style="list-style-type: none"> <li>○ Detail of the item.</li> <li>○ Cost of item.</li> <li>○ Depreciation rate.</li> <li>○ Location of asset.</li> <li>○ Serial number and/or tag details.</li> </ul> </li> <li>• Plant &amp; equipment assets that fall below the capital threshold (and are not included in the fixed asset register) are recorded (e.g., on a tagged asset register or inventory register) to note:               <ul style="list-style-type: none"> <li>○ Detail of the item.</li> <li>○ Cost of the item.</li> <li>○ Location of the item.</li> <li>○ Serial number and/or tag details.</li> </ul> </li> <li>• Asset registers and inventories are updated in a timely manner after the purchase of assets.</li> <li>• A second person reviews the asset register after each addition and disposal to check for typos or other errors which will making locating the asset impossible.</li> <li>• There is a process in place to identify old or obsolete equipment so that they can be replaced (e.g. a refreshment schedule).</li> </ul>

Risk	Key Controls
	<ul style="list-style-type: none"> <li>• Planned equipment purchases are reflected in the annual budget projections.</li> <li>• There is a clear process for authorising purchase of plant &amp; equipment at an appropriate level.</li> <li>• Unplanned purchases (outside of the budget plan) of plant &amp; equipment assets require strong justification and approval at Director level.</li> <li>• The asset register or inventory is updated in a timely manner to reflect replacements and disposals.</li> <li>• There is a clear, documented process for the treatment of disposal or transfer of plant &amp; equipment assets – including completion of a disposal form.</li> <li>• Disposal of plant &amp; equipment assets is approved at an appropriate level of management prior to the disposal.</li> <li>• Finance is notified in a timely manner of the disposal or acquisition of an asset, to ensure the accounting records for assets is kept up to date.</li> <li>•</li> </ul>
<p>3. There may be inadequate procedures in place in relation to the monitoring and safeguarding of Council assets leading to increased risk of misappropriation of assets</p>	<ul style="list-style-type: none"> <li>• Plant &amp; equipment assets have unique identifiers e.g., serial numbers, identification tags to enable tracing or an alternative suitable tracing system is in place; (tagging is especially important when a serial number is not noted on the asset or if the serial number is on a label that could easily fall off).</li> <li>• A process is in place to monitor the location and movement of plant &amp; equipment assets e.g., equipment is signed out when used and when returned.</li> <li>• The relevant asset register or inventory is amended as soon as notification is received of any transfer of an asset to another area.</li> <li>• All plant &amp; equipment is securely stored during non-working hours (e.g., in compounds with appropriate security fencing, in locked buildings or containers on site, sites have CCTV monitoring).</li> <li>• Any plant &amp; equipment assets that are not being used during working hours are securely stored on Council sites and access is restricted to essential personnel only.</li> <li>• If CCTV monitoring is installed on moveable plant &amp; equipment, this is reflected in an up-to-date CCTV policy.</li> <li>• Any stored assets are kept in a suitable environment to avoid risk of damage.</li> <li>• When equipment is being transported in Council vehicles, the vehicles must be kept locked when out of site of the Council employee.</li> <li>• The asset registers and inventories are periodically checked and updated.</li> <li>• Plant &amp; equipment assets are physically verified periodically throughout the year – particularly focusing on portable, desirable items.</li> <li>• The physical checks should be ad hoc, unannounced, and carried out by someone who is not responsible for maintaining the asset register at service unit level.</li> </ul>

Risk	Key Controls
	<ul style="list-style-type: none"> <li>• Differences identified through the inventory checks / physical verification are investigated and any necessary adjustments made in line with procedures.</li> </ul>
<p>4. There may be a lack of control over equipment and assets maintenance which could lead to assets not being safely maintained in working order and/or work being delayed</p>	<ul style="list-style-type: none"> <li>• The responsibility for the upkeep of plant &amp; equipment assets used by the estates team is clearly understood.</li> <li>• Life cycle costing/whole life costing is performed for (material) new plant &amp; equipment assets which allows consideration of repair and operating costs.</li> <li>• A maintenance schedule for plant &amp; equipment is in place and followed.</li> <li>• Plant &amp; equipment checks are regularly completed and documented.</li> </ul>

# Appendix IV: Limitations and responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future Periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or
- The degree of compliance with policies and procedures may deteriorate.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.