South Ribble Council &
Chorley Council

Final
Internal Audit Report

Asset Management - Inventories
2023/2024

Audit Assurance: Adequate
Auditor: James Spiers/Jacqui Murray
Date Issued: 13th December 2023

	Reason for the Audit & Scope
1	The Council maintains inventories to ensure the ongoing care, custody and security of fixed assets including equipment, plant and machinery; management have a responsibility to ensure that these assets are identifiable, traceable and that adequate insurance cover is in place which is appropriate for the assets held.

This review will focus on the Council's compliance with the Asset Inventory Policy and associated guidance which provides an overall structure to the recording and management of assets across the council.

The review is included in the 2023/24 Annual Audit Plan approved by the respective Governance Committees on the 26th September 2023 and 27th September 2023. |

	Audit Objectives
2	A central Asset Inventory is maintained on SharePoint for each Council and it contains detailed asset information and current values that are utilised to obtain suitable insurance cover.

A sample of 11 service inventories, outlined below, were reviewed to ascertain if the Council's Asset Inventory Policy and associated guidance is being consistently and correctly applied. |

	Service/Inventory	Directorate	Council
1	Electoral Services	Governance	SRBC
2	Neighbourhoods – Workshop/Plant/Machinery	Customer and Digital	SRBC
3	ICT – Audio & Visual Equipment	Customer and Digital	SRBC
4	Communications & Visitor - Museum	Change and Delivery	SRBC
5	Environmental Health – Food Safety/Protection	Communities	SRBC
6	Active Health	Communities	SRBC
7	Civic Services – Town Hall/Union Street	Governance	CBC
8	Streetscene – Bengal Street Depot	Customer and Digital	CBC
9	Operational Assets – Market Walk/Market	Property and Planning	CBC
10	Environmental Health – Environmental Health Store	Communities	CBC
11	ICT – Mobile Phones	Customer and Digital	CBC/SRBC

3	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.

	Audit Assurance
4	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
5	The Council's joint Asset Inventory Policy and Guidance was reviewed and relaunched in July 2023 to reaffirm the corporate approach to the management of Council assets, to assist with the compliance of Financial Procedure Rules, and to ensure that detailed up to date information is maintained to inform the Council's insurance arrangements.

The Policy/Guidance and central Asset Inventory for each Council are accessible to designated responsible officers on SharePoint and can be accessed and updated with ease, however, consideration |

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should be given to password protecting the Asset Inventory to ensure access is limited to authorised officers only. It is understood that this the requirement was previously in place however, ICT compatibility issues were encountered when a password was introduced. A suitable alternative platform for the Asset Inventory should be explored to protect this central record from potential fraudulent/accidental amendments or deletions.

Sample checks of the 11 service inventories detailed above, confirmed that nominated responsible officers generally have an awareness of the Asset Inventory Policy and their responsibility to regularly update and accurately maintain an inventory for their service.

A large proportion of the items selected for review were traceable and clearly identifiable from the descriptions/serial numbers/reference numbers provided and the fields within the inventory were fully completed, accurate and up to date.

Instances were identified whereby the inventory was not suitably comprehensive omitting items of value and some lacked evidence of regular review where items had been lost/replaced/reallocated, and the inventory had not been updated to reflect this. These issues were particularly prevalent in the Environmental Health (CBC & SRBC), Neighbourhood (SRBC), Streetscene (CBC) and ICT Mobile Devices (joint) inventories where high value portable assets are used or distributed. The outcome of each service inventory review is detailed in the table below.

Common themes of non-compliance with the Asset Inventory Policy and Guidance were also observed across both Councils as follows:

- A general lack of equipment reference numbers or unique identifying numbers to enable services to track and identify assets with only 4 out of the 11 tested services/inventories regularly utilising this methodology.
- A lack of security marking on items to record Council ownership (Indelible ink/etching/QR codes) with only 2 services considering this risk however, it was not universally applied across the whole service.
- Non-compliance with the Council's Financial Procedure Rules and Asset Inventory Policy for the disposal of assets with only 3 out of the 9 of the services reviewed maintaining records of items that have been disposed of, and the method of disposal. A lack of disposal records exposes the Council to the risk of corruption, misappropriation and assets being disposed of for personal gain.

An **Adequate** assurance rating has been awarded for this review as it is evident that both Councils largely have arrangements in place to ensure the ongoing care and custody of its assets with sample testing confirming this across most services reviewed. However, further work is needed to ensure that all requirements set out in Asset Policy and Guidance are followed by all services thus ensuring the security of Council assets is improved and that disposal procedures are followed in compliance with the Financial Procedure Rules.

Minor discrepancies and omissions discovered during each service review were discussed with the nominated officer at the time of review and further feedback has been provided to these teams to strengthen their processes. Where more significant or multiple control issues were identified with services these improvements required to strengthen the current operational arrangements are detailed in the action plan at Appendix B.

Control Rating Key
Full – the Authority can place complete reliance on the controls. No control weaknesses exist.
Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

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Compliance with the Asset Inventory Policy/Guidance

Service/Inventory	Directorate	Physical Check	Regular Update	Nominated Person	Equipment Reference No.	Description	Location Details	Make/Model /Manufacturer	Serial Numbers	Security Marked	Value	Disposal Record	Low Value Items/Grouping	Comments
SRBC														
Electoral Services	Governance	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓	✗	N/A	
Neighbourhoods – Workshop/Plant/Machinery	Customer and Digital	✓	✓	✓	P	✓	P	✓	✓	P	✓	P	✓	• Last physical check for workshop was in recorded in July 2023 but some discrepancies were identified without any further investigation work undertaken. • Lack of records to evidence equipment allocations to individuals/teams. • Inconsistent use of reference numbers and security etching.
ICT – Audio & Visual Equipment	Customer and Digital	U	U	U	✗	✓	P	P	✗	U	✓	U	✓	• Some items descriptions could be strengthened by including model/manufacturer/serial number.
Communications & Visitor - Museum	Customer and Digital	✓	✓	✓	P	✓	✓	✓	N/A	N/A	✓	✓	✓	• Currently working through the referencing whilst compiling their Accessions Register for Accreditation.
Environmental Health – Food Safety/Protection	Property and Planning	✓	✗	✓	✗	✗	P	P	✗	✗	✓	✗	P	• Inventory items are not securely stored in a locked environment. • Unable to validate items as descriptions lack detail and do not consistently list make/model/manufacturer/serial number. • Lack of records to evidence kit use/location. • Additional items were identified that need to be added to the inventory.
Active Health	Communities	✓	✗	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	
Chorley														
Civic Services – Town Hall/Union Street	Governance	✓	✓	✓	✗	✓	✓	P	P	✗	✓	✗	✓	• Some items descriptions could be strengthened by including model/manufacturer/serial number.
Streetscene – Bengal Street Depot	Customer and Digital	✓	✓	✓	P	✓	P	✓	P	✗	✓	✗	✓	• Last physical check for workshop was in recorded in July 2023 but some omissions were identified (items listed without unique identifying numbers/serial numbers). • Sequential numbering used to identify equipment items however this could be further improved by making the reference number unique for different teams/locations etc. Numbers are also being reused when an item is replaced. • Lack of records to evidence equipment allocations to individuals/teams within Alloy.
Operational Assets – Market Walk/Market	Commercial and Development	✓	✓	✓	✗	P	P	✓	✓	✗	✓	✗	✓	
Environmental Health – Environmental Health Store	Communities	✗	✗	✓	✗	✓	✗	✓	P	✗	✓	✗	✗	• Unable to verify that physical check/regular updates have occurred historically. • Inventory items are not securely stored in a locked environment. • Additional items were identified that need to be added to the inventory. • Item descriptions do not consistently list model/serial number. • There is no system in place to track and monitor kit items/location.

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South Ribble/Chorley														
ICT – Mobile Devices	Customer and Digital	U	U	✓	✗	✓	✓	✓	✓	U	✗	U	N/A	- A Mobile Device inventory is maintained to identify equipment allocation however a number of discrepancies were identified (reference numbers not matching item of kit listed, kit allocation does not match inventory, allocated items not listed on inventory). - Examples of assets assigned to teams i.e. Refuse 1, 2,…etc with no contact details or designated responsible officer assigned. - unique identifiers are utilised, however there were two numbering methodologies in operation (AB000000 & SR00000). - Total number of assets listed on Mobile Device inventory does not match the number listed with the ICT 'Master Computer Schedule' inventory.

*P – partial compliance

*U – unable to confirm/validate

AUDIT ASSURANCE

Three Lines of Defence

Audit Area	1st Line	2nd Line	3rd Line	Internal Audit opinion
Asset Management - Inventories	Designated Responsible Officers	Management /Risk and Insurance	Internal Audit	Generally, reliance can be placed on the 1st line of defence as nominated officers were aware of the importance of maintaining inventories and mindful of their responsibilities to maintain these accurately. Further work is required to ensure disposal requirements set out in the Financial Procedure Rules and Asset Inventory Policy are adhered to.

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MANAGEMENT ACTION PLAN		

NO.	FINDING	AGREED ACTION	OFFICER & DATE
South Ribble & Chorley Findings			
1	The Policy/Guidance and central Asset Inventory for each Council is openly available to officers on SharePoint and can be accessed and updated whenever a service has the need to do so. A suitable alternative platform for the Asset Inventory should be explored to limit access to nominated officers only and protect the central record from potential fraudulent/accidental amendments or deletions.	The Senior Risk and Insurance Officer will assess the options available for a suitable password protected platform for the Asset Inventory if the existing ICT compatibility issues cannot be resolved.	Kerry Maguire August 2024
2	The Asset Policy states that items insured under the All Risk – Content Inventory should have an equipment number or a unique identifying number to enable services to track and identify assets. Additionally, assets should be security marked upon receipt to record ownership by way of indelible ink/etching/QR Codes as deemed suitable for each item. Testing confirmed that there is a general lack of equipment reference numbers or unique identifying numbers to enable services to track and identify assets with only 4 out of the 11 tested services/inventories regularly utilising this methodology.	The Head of Audit and Risk will provide a copy of this report to Senior Leadership Team to raise awareness of the Asset Inventory Policy/Guidance and requirements of the Financial Procedure Rules highlighting the common themes of non-compliance identified across both Councils.	Dawn Highton January 2024
3	Testing identified non-compliance with the Council's Financial Procedure Rules and Asset Inventory Policy for the disposal of assets with only 3 out of the 9 of the services reviewed maintaining records of items that have been disposed of, and the method of	This action will be addressed by Agreed Action 2 above.	

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	disposal. A lack of disposal records exposes the Council to the risk of corruption, misappropriation and assets being disposed of for personal gain.		
It was identified that the following services had more significant or multiple control issues <u>in addition to</u> the areas of non-compliance outlined in Action 2 and 3 above.
**Service Specific Findings – South Ribble**
	Environmental Health – Food Safety/Protection		
4	Testing identified specific weaknesses in relation to the following arrangements for the South Ribble Environmental Health inventory where 5 out of the 7 sampled items could not be validated: • Inventory items are not securely stored in a locked environment and are routinely kept within an open office. • Item descriptions lack detail and do not consistently list make/model/manufacturer/serial number when this is available on the item. • Lack of robust records to evidence kit use/location. The location/user of a valuable sampled item was not able to be verified on the day of review. • The inventory is not comprehensive and additional items were identified that need to be added to the inventory.	The Head of Public Protection, Communities and Leisure will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Laura-Jean Taylor June 2024
	Neighbourhoods – Workshop/Plant/Machinery		
5	Testing identified specific weaknesses in relation to the following arrangements for the Neighbourhoods – Workshop/Plant/Machinery where 6 out of the 30 items sampled could not be validated. Items not validated on the date of review were listed in the Workshop inventory (6 out of 13 sampled):	The Head of Streetscene and Waste will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Chris Walmsley June 2024

	• Last physical check for workshop was in recorded in July 2023 but some discrepancies were identified (replacement items not added to inventory). • Some items were missing their unique identifier. • Location details identify the team an item is assigned to. There is no process in place to establish what equipment is being utilised by an individual/team off site each day (Plant/Machinery). Additionally, the service utilises the Fleetcheck system for equipment management purposes although currently this is not being used to record all lower value items. The functionality of Fleetcheck should be explored to ascertain if it has the capability to produce a service equipment inventory that meets the requirements of the Asset Inventory Policy and thus remove the need to maintain a separate manual record prone to error or omission.		
Service Specific Findings – Chorley			
	Environmental Health – Food Safety/Protection		
6	Testing identified specific weaknesses in relation to the following arrangements for the Chorley Environmental Health inventory where 3 out of the 6 items listed could not be validated: • The Nominated Officer is new to the organisation and undertook enquiries and a physical check prior to our review but was unable to confirm the location of all the items listed nor confirm that a full physical check had been undertaken recently. • Inventory items are not securely stored as they are currently held within an unlocked store cupboard shared with other services.	The Head of Public Protection, Communities and Leisure will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Laura-Jean Taylor June 2024

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	• The inventory is not comprehensive and additional items were identified that need to be added to the inventory. • Item descriptions lack detail and do not consistently list make/model/manufacturer/serial number when this is available on the item. • There is no system in place to track and monitor kit items/location.		
	Streetscene – Bengal Street Depot		
7	Testing identified specific weaknesses in relation to the following arrangements for the Chorley Streetscene – Bengal Street Depot inventory where 6 out of the 22 items sampled could not be validated: • Last physical check for workshop was in recorded in July 2023 but some omissions were identified (items listed without unique identifying numbers/serial numbers). • Sequential numbers were used to identify equipment items however this could be further improved by making the reference number unique for different teams/locations etc. • Some items were missing their unique identifier. • Numbers are also being routinely reused when an item is replaced. • Lack of records to evidence equipment allocations to individuals/teams within Alloy.	The Head of Streetscene and Waste will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Chris Walmsley June 2024
Service Specific Findings – Joint Chorley & South Ribble			
	ICT– ICT Mobile Devices		
8	Our review acknowledged that the Head of ICT position is currently vacant and resource issues currently experienced by the team	The ICT Manager will ensure that all aspects of the Asset Policy/Guidance are applied to all service assets.	Jane Norris June 2024

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	meant that we were unable to verify the day-to-day housekeeping arrangements in place for this inventory. The Mobile Device List for CBC/SRBC was provided by the nominated officer and sample testing of 22 entries identified specific weaknesses in relation to the following arrangements for this inventory: • 1 item unverified as the officer advised that this had been returned to ICT but this had not been reflected on the inventory. • 1 item unverified as the officer held an iPad with the historic SR0000 numbering that was not listed on the Mobile Device List. • 5 items listed that did not match the actual items of kit that the officer held. • 3 incorrect listings where the unique reference number listed in the inventory does not match that make/model of the kit. • Assets assigned to teams i.e. Refuse 1, 2,…etc with no contact details or designated responsible officer assigned. Additionally, though conversation with an officer it was identified that a second device was held. This device was not itemised in the inventory and therefore, there was no record of the item allocation.		
9	The total number of assets listed on the Mobile Device inventory does not match the number listed with the ICT 'Master Computer Schedule' for Chorley and South Ribble, this is mainly due to the inclusion of retired devices earmarked for recycling.	The ICT Manager will ensure that a reconciliation exercise is undertaken to ensure all assets (including redundant kit) are accurately reflected in the ICT 'Master Computer Schedule' prior to the annual insurance renewal.	Jane Norris June 2024

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	A full reconciliation exercise should be undertaken as soon as possible to ensure that the Mobile Device inventory accurately reflects the current device allocation; and the total number of assets is correctly reflected in the ICT 'Master Computer Schedule' inventory thus ensuring the correct level of insurance is in place.		

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