

# Asset Disposals 2014/15

## City of York Council

### Internal Audit Report

Business Unit: Customer & Business Support Services  
 Responsible Officer: Assistant Director – Finance, Asset Management and Procurement  
 Service Manager: Head of Asset and Property Management  
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	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Audit Opinion</b>	High Assurance		

# Summary and Overall Conclusions

## Introduction

In November 2012 Cabinet approved an asset review of all council property and land. The purpose of the review was to identify opportunities to generate capital receipts by rationalising and sharing occupation of properties so reducing the number of properties the council owns and occupies. This has resulted in the disposal of a number of council owned properties and land in the past 2 years.

Section 123 of the Local Government Act 1972 enshrines the statutory duty on local authorities to achieve best value in the context of land disposals. It states that a local authority may dispose of land in any manner it wishes providing it is not for a consideration 'less than the best that can reasonably be obtained' (unless the Secretary of State consents to the disposal).

The council's financial regulations lay out responsibilities with regard to asset management as well as authorisation limits for the disposal of assets. All equipment disposals and sales should follow the approved procedure appropriate to the estimated asset sale value and aim to obtain best consideration.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Assets are suitably identified for disposal,
- best consideration is obtained for assets that are disposed of,
- asset disposals are appropriately authorised,
- the disposal process is appropriately managed from authorisation through to completion,
- disposals are correctly accounted for in the council's financial management system and fixed asset register.

The audit included disposals of all non current assets including land and buildings and equipment. A separate audit of right to buy sales took place in 14/15 therefore the risks associated with this area were not considered as part of this review.

## Key Findings

The information available on the disposal of equipment assets was not held in one place. Common practice is for assets to be used for all of their useful life and not to be resold at the end of their use by the council. In addition a lot of equipment assets are leased and therefore do not have to be disposed of by the council. Due to the low risk represented by the disposal of these equipment assets compared to the risks involved with the disposal of land and property assets greater focus during the audit was placed on giving assurance over the latter. Given the difficulty in identifying equipment assets that have been disposed of there are limitations on the assurance that can be provided on these disposals. No specific issues were identified; however a more focussed piece of work would be needed if additional assurance was required in this area.

No specific findings have been raised with regards to the disposal of land and property assets by the council. Such disposals are a lengthy and complex process and can take a significant amount of time to complete. The audit found that each disposal reviewed had unique features which meant that different approaches needed to be taken for each one. There was however a method statement that was applied uniformly and this included the retention of documents that provided a sufficient audit trail for the sale. There is scope to improve this documentation of disposals as at present a large file for each disposal is stored on the council's document management system which can make it difficult to identify the piece of information required. In addition consideration should be given to the clarity of the file to ensure that the council is able to evidence the reason a decision was taken, particularly when the officer involved has left the council.

There is assurance that assets are suitably identified for disposal. Engagement across the organisation ensures that alternative uses are considered and decisions are taken at the appropriate level. There were no disposals identified where less than best consideration was obtained for the asset. Sufficient steps were taken to ensure this; including either putting the asset on the open market or obtaining an independent valuation. Similarly there is assurance in place that disposals are correctly accounted for.

Management of the disposal process is very complex; involving specialist input from officers including property surveyors, legal services and finance. No specific issues were identified during the audit however it was recognised that disposals can take a significant length of time to complete and it is not possible to provide complete assurance over the management of this process due to the specialised nature of some of the decisions taken. There is however oversight of this process which should ensure that risks associated with the management of disposals through to completion are managed.

## Overall Conclusions

The process of disposing of council assets is complex and draws on a lot of specialist knowledge from across the council. As such there are some limitations in the assurance that can be provided however for those areas that were reviewed it was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

## Annex 1

# Audit Opinions and Priorities for Actions

### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

### Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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