

Review of Asset Disposal Policy

City of York Council

Memorandum

For: Corporate Finance & Commercial Procurement Manager

Status: Final

Date Issued: 28 April 2017

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1 Introduction and Scope

- 1.1 As the result of a previous investigation into the sale of a council-owned asset, an allocation of time was included in the 2016-17 internal audit plan to review the council's asset disposal policy.
- 1.2 The aim of the work was to provide assurance that the policy is an effective safeguard against improper asset disposal and provides clear and thorough guidelines for staff to follow. The review included work on the following:
- Format and language of the existing policy.
 - Sales to staff.
 - Compliance with the policy.
 - Asset registers / inventories as a valuation tool.
- 1.3 The asset disposal policy relates to lower value assets, such as operational equipment. The disposal of major capital assets such as buildings and land were not part of this review.

2 Findings

Format and language of the existing policy

- 2.1 The Asset Disposal Policy can be downloaded from the council intranet. However, the policy that is currently available is an editable Word document. The policy's authority is immediately compromised upon opening it; alongside several errors in grammar and style, the official document has tracked changes that have not been accepted and saved.
- 2.2 To mitigate the risk of staff downloading the Word document and making their own amendments to it and for the policy to appear more formal and professional, it is recommended that the policy be reviewed and amended (style, language and format) and made available as a non-editable PDF document.

Sales to staff

- 2.3 The Asset Disposal Policy provides basic guidance for the sale of assets to staff, specifying that the correct authorisation needs to be obtained from the appropriate Chief Officer and that the sale should take the form of a sealed bid.
- 2.4 In terms of the sale of assets to staff, the inherent level of risk is high and it is our recommendation that the question of whether sales to staff should be allowed under any circumstances needs to be discussed by management. As well as financial risks of full value not being obtained there is also a reputational risk that accompanies the sale of assets to staff which warrants further consideration (i.e. the risk of any sales to staff, no matter how conducted could be viewed as an unjustified perk at public expense).
- 2.5 In respect of assets being scrapped it could be argued that these should be offered to the council's partner organisations which might make better use of them rather than to staff who are already incentivised by other work-place schemes and benefits. This also mitigates the risk that assets are inappropriately (or perceived to be inappropriately) disposed of as scrap when given to staff.

- 2.6 The level of control required to adequately mitigate the conduct, financial and reputational risks associated with assets being sold to council staff leads us to the opinion that it could be prudent to not allow any assets to be sold to council staff.

Compliance with the Policy

- 2.7 The aim of the Asset Disposal Policy is to act as a guideline for service areas looking to sell or dispose of assets. However, no matter how thorough and useful the policy is, it is redundant if not utilised by staff.
- 2.8 While it was not in the scope of this review to perform compliance testing, testimony from various council employees at different levels indicates that there is a lack of awareness about the available guidance. According to the Asset Disposal Policy, all sales of assets are to be accompanied by an Annex D form, containing details of the disposal and authorisations for it. However, it would appear that in the last few years very few of these forms have been submitted to the finance team, which indicates a lack of compliance with procedure.

Asset register / inventories as a valuation tool

- 2.9 The financial regulations make provision to “maintain local inventories recording adequate descriptions of all furniture, fittings, equipment, plant & machinery above £500 and record items of a lower value where the risk is considered to be significant”.
- 2.10 According to the council’s 2015/16 Statement of Accounts, all non-current assets are depreciated over their useful life (in this case, 5 – 10 years).
- 2.11 It would be useful to include this information somewhere in the policy as a guideline for the valuation of an asset sold before it reaches its scrap value.

3 Conclusions and recommendations

- 3.1 While the Asset Disposal Policy in its current form is largely in-line with the council’s Financial Regulations, there are several areas that would benefit from further consideration by management.
- 3.2 Most importantly, the Asset Disposal Policy available to staff via download on the intranet needs to be formalised and made available in an appropriate non-editable format.
- 3.3 It is also recommended that the sale of assets to staff undergoes management review to either provide more stringent guidelines in the policy or be removed an option all together. As things stand, the policy does not offer substantial enough instruction to safeguard against the risks.
- 3.4 Furthermore, it may be worthwhile to commission a more formal piece of work to test the effectiveness of asset disposal procedures, with emphasis on compliance with the policy and the recording of all asset disposals and sales. This could tie in with how asset registers / inventories are maintained by departments and whether or not the sale of assets is recorded correctly in the General Ledger.

4 Action Plan

Action	Priority	Responsible officer	Due Date
Review and amend the Asset Disposal Policy (style, language and format) and make available as a non-editable PDF document.	3	Corporate Finance & Commercial Procurement Manager	Completed
Review whether allowing sales of assets to staff should be included in the policy.	3	Governance, Risk and Assurance Group	31 st July 2017
Review the effectiveness of asset disposal procedures, with emphasis on assessing compliance with the policy and the recording of all asset disposals and sales.	2	Corporate Finance & Commercial Procurement Manager	30 th September 2017

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.