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PARLIAMENT OF TASMANIA

AUDITOR-GENERAL
SPECIAL REPORT No. 71

Property in police possession
and
Control of assets: Portable and attractive items

November 2007

Presented to both Houses of Parliament in accordance with the provisions of Section 57 of the Financial Management and Audit Act 1990

By Authority:

Government Printer, Tasmania

22 November 2007

President

Legislative Council

HOBART

Speaker

House of Assembly

HOBART

Dear Mr President

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SPECIAL REPORT NO. 71

Property in police possession and Control of assets: Portable and attractive items

This report has been prepared consequent to examinations conducted under section 44 of the Financial Management and Audit Act 1990, for submission to Parliament under the provisions of section 57 of the Act.

The report contains two compliance audits. The first examines compliance by the Department of Police and Emergency Management with legislation and internal procedures in the management of public property in its possession. The objective of the second report was to verify whether the recording, control and disposal of minor assets in government agencies was effective and in accordance with relevant instructions, guidelines and policies.

Yours sincerely

H M Blake

AUDITOR-GENERAL

CONTENTS

Foreword

This Report contains the results of two compliance audits. The first examines how well the Department of Police and Emergency Management manages public property in its possession. The second report looks at the recording, control and disposal of minor assets in government agencies.

Every day police take possession of large quantities of property at property stores throughout the state. As well as managing found property handed in by the public, police take into their possession a wide range of items in the course of policing activities including motor vehicles, illegal drugs, marine items and electronic equipment. The length of time property is held varies from a few months to years depending on the circumstances.

Treasurer's Instructions require that agencies specify an asset recognition threshold, generally $10 000, below which assets are recorded as minor. Some minor assets, denoted as portable and attractive items, are particularly susceptible to theft or loss, for example, personal computers and ancillary items, power tools and cameras. While the loss of such items is not a significant cost to government, they have been acquired with public money. Moreover, their misappropriation could lead to an organisational culture of dishonesty and carelessness.

In the case of police property, while we found no instances of property that had been misplaced or could not be located, we were concerned that an integrated electronic system was not in place to record and monitor property holdings. The complexity of the current system, which involves the completion and use of multiple forms and receipts, at times made compliance with internal procedures and legislation difficult.

Agencies demonstrated commitment to the control of portable and attractive items and two of the five agencies were already improving minor asset management. However, agencies were not recording sufficient information to ensure the appropriate and efficient disposal of these items.

HM Blake

Auditor–General

22 November 2007

List of acronyms and abbreviations

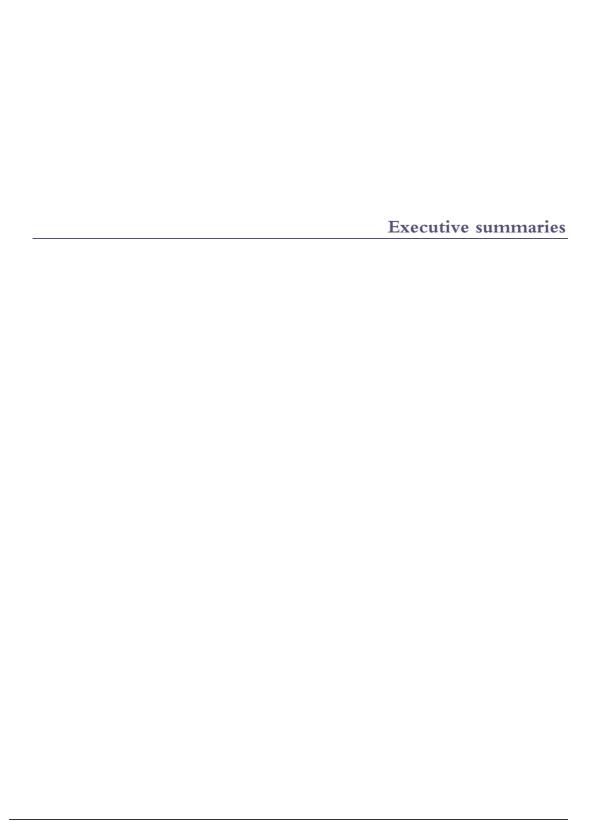|	
Agencies	Collective term used in this Report to cover government departments.
CRS	Corporate Reporting Services
The department	Department of Police and Emergency Management
DED	Department of Economic Development
DES	Drug Exhibit Sheet
DHHS	Department of Health and Human Services
DIS	Drug Investigation Service
DoE	Department of Education
DPP	Office of the Director of Public Prosecutions
DTAE	Department of Tourism, Arts and the Environment
FPR	Found Property Receipt
FS	Firearms Services
FSST	Forensic Science Service Tasmania
HP	Houses of Parliament
IT	Information Technology
MRD	Management Review Division
MPR	Miscellaneous Property Receipt
ORS	Offence Reporting System
PA items	Portable and attractive items
SACS	School Administration Computer System
TAO	Tasmanian Audit Office
TI	Treasurer's Instruction
TPM	Tasmanian Police Manual

Executive summaries

Executive summary — Property in police possession

Police in Tasmania take large quantities of property into their possession daily. Most property is taken as a result of policing operations and is retained because it may need to be presented as evidence in court. The nature of the property varies significantly and ranges from DNA swabs to craypots and cannabis plants to stolen electronic equipment. This miscellaneous property, and the found property handed into police by the public, are stored in police property stores throughout the state.

Most property is stored at larger divisional stations or the district drug and property stores in Hobart, Launceston and Burnie. Larger stores usually have a dedicated property officer who manages the store in addition to his or her other policing duties. The district stores all have full-time property officers who are non-sworn public servants.

The objective of this audit was to verify whether Tasmania Police complied with its obligations to deal appropriately with property held. This covered:

- compliance with relevant legislation and internal policies and procedures

- adequate internal controls to safeguard items

- an appropriate disposal or release process

- transparency associated with the management of disposal proceeds.

In order to achieve this objective, we visited three drug stores and eight property stores in the four police districts. We also assessed corporate management's monitoring of property stores.

Audit opinion

Receipt of property

All property received must be receipted and labelled before being stored. In testing compliance against internal procedures, we located receipts for all property items sampled in the stores. All items were correctly labelled, with only one exception.

We were concerned, however, about the level of compliance in the completion of the four different types of receipts used, and noted that this was made more challenging by the nature of a paper-based system which used hand-written entries and carbon paper. We have recommended that police introduce an electronic system.

Two other areas of concern needed to be addressed: problems with the current lost and found property system and the timely transfer of drug exhibits from stations to the nearest drug store.

Storage

We found that the security of the stores was generally adequate and there was no evidence of damage to any items of property. Also we were able to locate all our samples in the stores visited, although there was variation in how stores were organised.

However, we found low levels of compliance with the requirement for cash to be promptly banked and difficulties in effectively tracking the movement of property between stores and police services.

Disposal

Property disposals selected for audit testing complied with demanding internal requirements for the different types of property.

The current performance measurement process ensured the timely disposal of miscellaneous property but we were concerned that we could not test for timeliness of the disposal of found property because of the absence of a disposal date on the found property receipt.

We also found that the documentation of drug disposals was thorough but there were variations in how miscellaneous property disposals were documented. There was uncertainty about the legality of current disposal practices for found property which is currently under review. The transfer of proceeds from the sale of property to Consolidated Revenue was clearly documented.

Monitoring

Monitoring performance in the handling of property in police possession through the compilation of monthly statistics and regular inspections of stations and services is a particular strength of the Department of Police and Emergency Management. We found that the collection of property statistics was well organised and served to focus the attention of all levels of staff on property management. However, the regime of property inspections was less systematic and would benefit from a more coordinated approach.

List of recommendations

The following table reproduces the recommendations contained in the body of this Report.

No	Report section	Recommendation
1	1.1.2	We recommend that the department introduces a centralised, electronic property management system with capacity to record detailed property data and effectively track property movements.
2	1.1.4	We recommend that the Lost Property Report database be made accessible on the department's intranet site to all property stores. The procedure should be changed to require officers receiving found property to check against this database and no longer send duplicate receipts to district stores.
3	1.1.5	We recommend that the department introduces new controls to ensure stations promptly deliver drugs to the nearest drug store and continue to monitor this matter.
4	1.2.2	We recommend that state-wide training in an agreed property store management system be introduced for all property officers.
5	1.2.3	We recommend that the department investigates improving storage facilities for firearms.
6	1.2.5	We recommend that the department reminds property officers of the requirements to bank money.
7	1.2.5	We recommend that the department updates its procedures relating to handling money to reflect the current finance system and speeds up the process of drawing cheques for payment to members of the public.
8	1.3.2	We recommend that the department resolves the apparent conflict between the legislation and current disposal practice for found property.
9	1.3.4	We recommend that disposal authorisation in the Tasmanian Police Manual be reviewed to increase the efficient disposal of property.
10	1.4.1	We recommend that the department reviews all property procedures and updates its manual accordingly.
11	1.4.2	We recommend that the department includes found property in the performance measurement process.
12	1.4.3	We recommend that the department revises the system inspection template to increase the focus on property store inspections.
13	1.4.4	We recommend a review of the property inspection regime to determine a systematic schedule and responsibility for inspections assigned to a member of senior management.

Management response

Department of Police and Emergency Management

Thank you for the opportunity to comment on the draft Report.

In relation to recommendation 1, 2 and 4, Tasmania Police has previously recognised this issue and a project has commenced designed to implement a centralised electronic property management system which will incorporate property tracking. State-wide training in property management will be an integral part of that property management system. In the interim further training is being implemented in relation to existing systems.

In relation to recommendations 3 and 5, Tasmania Police will review its conveyance and storage arrangements for drugs and firearms to address the issues identified during your audit.

In relation to recommendations 6 and 7, the Tasmanian Police Manual was amended in August 2007 in relation to banking and handling of money. Those amendments will be reviewed to identify any need for additional amendments in line with your recommendations.

In relation to recommendation 8, the Department of Justice has previously been approached with a view to amending the required legislation.

In relation to recommendations 9 to 13, Tasmania Police has commenced a review of its current procedures and internal documentation in the context of the issues identified during your audit and will implement any necessary changes.

Thank you again for the opportunity to comment.

Executive summary — Control of assets: Portable and attractive items

Government agencies control all sorts of assets to meet their objectives. The nature of recording and control over assets depends on their value. In accordance with the Treasurer's Instructions (TIs) government agencies specify an asset recognition threshold — generally $10 000 — below which assets are recorded as minor assets. Some minor assets are particularly susceptible to theft or loss, for example personal computers, power tools and projectors. These assets are denoted as portable and attractive items (PA items).

Although the individual value of these items may not represent a substantial risk to an agency, lack of accountability could contribute to an internal culture of carelessness or dishonesty and to loss of public confidence. TI 304 requires that PA items be registered for physical control purposes.

We looked for guidelines and policies, including codes of conduct, to support a culture of respect for public property and compliance with TIs within an agency. Agency asset registers were interrogated and we investigated the policies and procedures provided to manage and record PA items.

The audit reviewed the Houses of Parliament (HP) and the following government departments:

- Education (DoE)
- Health and Human Services (DHHS)
- Economic Development (DED)
- Tourism, Arts and the Environment (DTAE).

Audit opinion

Commitment

DoE and DED demonstrated strong commitment to the control of PA items with clear asset registration guidelines provided in their finance manuals, effective promulgation of the staff *Code of Conduct* and internal review processes in place to mitigate asset management risks. HP demonstrated a reasonable level of commitment with the development of detailed asset management procedures. DHHS and DTAE showed no significant commitment to the management of PA items in terms of current procedures but at the time of the audit both agencies were undertaking projects to improve the management of minor assets including PA items.

Implementation

Generally, we found each agency had effective registration and control over IT assets but that other PA items were not as reliably recorded in any agency other than HP.

HP, DED and DoE provided guidelines and registers to define and record PA items. These agencies also provided evidence of asset control using regular stocktakes. DHHS and DTAE did not provide guidelines or registers to record PA items. We noted that both agencies had projects underway to improve minor asset management that included implementing registers to record PA items.

Audit testing demonstrated that only the system at HP had provided effective recording and identification of PA items, with numerous sampled items not located in the registers of the other agencies. However, in the case of DED, controls over PA items were sound once items were recorded in registers.

Disposal

HP and DED had satisfactory systems for recording disposals with asset status information and disposal dates recorded in registers. Sufficient additional information including authorisation, methods of disposal, and transaction references were also available to enable review of the disposal process.

DoE had clear policies and registers and disclosed which items had been disposed of but recording of disposal details was not reliable or consistent.

Neither DHHS nor DTAE recorded details of PA item disposals but both agencies advised that their asset management systems were under review. All agencies had fulfilled requirements to offer surplus computer equipment to DoE.

List of recommendations

The following table reproduces the recommendations contained in the body of this Report.

No	Report section	Dept	Recommendation
1	2.1.1	HP	We recommend that the Houses of Parliament develop a comprehensive finance manual.
2	2.1.1	HP	We recommend that the Houses of Parliament develop a staff *Code of Conduct*.
3	2.2.1.1 2.2.2.1 2.2.3.1 2.2.4.1 2.2.5.1	HP DoE DHHS DED DTAE	We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.
4	2.2.2.2 2.2.3.3 2.2.5.2	DoE DHHS DTAE	We recommend implementation of registers to record PA items in all business units.
5	2.2.2.3	DoE	We recommend that school administrative staff be provided with adequate training to ensure effective use of the asset recording system.
6	2.2.4.3	DED	We recommend the agency considers identification of PA items and inclusion in registers during the requisition process, with identification and other information to be added during payment processing.
7	2.2.5.3	DTAE	We recommend implementation of all of the internal auditor's recommendations. We further recommend a subsequent follow-up review by the internal auditor to verify system integrity.
8	2.3.1	DHHS DED DTAE	We recommend that agencies include in their internal policies or guidelines, specific disposal processes and methods based on TI 1302 (requiring the Head of Agency to determine the disposal process for all items with an estimated disposal value of $10 000 or less).
9	2.3.2	DoE DHHS DTAE	We recommend that PA registers include status information to indicate disposal of an item, and that additional information including the date and details of the disposal process undertaken and results of the disposal be retained.

Management response

Houses of Parliament

The Houses of Parliament were satisfied with the report.

Department of Economic Development

Recommendation 3 (report section 2.2.4.1)

We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

Response:

The Department of Economic Development (DED) does not agree with this recommendation. Currently DED identify and record minor assets and attractive items with a value less than $5,000 in accordance with the department's *Asset Management* Policy. The basis or criteria that determine whether an item should be recorded in the department's minor asset registers is driven by the definition of a minor asset/attractive item as outlined in the department's policy. It is both the nature of the item and the assessed risk associated with not recording the item that should determine its recognition in the asset register, not a minimum threshold level. To introduce another recognition criterion into the department's policy would serve little purpose.

Recommendation 6 (report section 2.2.4.3)

We recommend the agency consider identification of PA items and inclusion in registers during the requisition process, with identification and other information to be added during payment processing.

Response:

DED's current process in identifying and recording minor assets/attractive items is generally underpinned by reviewing payment transactions after the item's purchase. However, given the decentralised nature of a number of our minor assets registers (e.g. Tasmanian Institute of Sport, Information Technology), the staff responsible for their maintenance already record the assets prior to their subsequent payment. Whilst DED acknowledges that there may be instances where some minor assets have been missed, recording assets at requisition stage is not a practical solution to this problem. Given that the risk of the non capture of some minor assets is relatively low, DED's preferred course of action is to continually revise and improve its asset management practices through policy adjustments, education and training in striving to capture all minor assets/attractive items.

Recommendation 8 (report section 2.3.1)

We recommend that agencies include in their internal policies or guidelines, specific disposal processes and methods based on Treasurer's Instruction 1302 (requiring the Head of Agency to determine the disposal process for all items with an estimated disposal value of $10,000 or less).

Response:

Whilst DED complies with Treasurer's Instruction 1302, the department will endeavour to include basic procedures in relation to asset disposal within its internal policy and procedure documents.

Department of Education

The Department of Education (DoE) notes the recommendations of the report. The Department is implementing a new finance system within schools. Within the scope of this project is the implementation of an asset recording system which will also allow the recording of portable and attractive items together with defined disposal details. It is proposed that the project team review the recommendations of this report and incorporate any required changes. DoE will consider implementing a similar requirement for non-school business units.

Department of Health and Human Services

The Department of Health and Human Services (DHHS) recognises the importance of ensuring that its portable and attractive items are appropriately managed. DHHS is committed to improving its policies, procedures and controls for recording, disposing and managing its minor assets, and has commenced an agency-wide asset management project which will include a review and upgrade of its asset management system including portable and attractive items. DHHS will be implementing the above recommendations as part of this project.

Department of Tourism, Arts and Environment

The Department acknowledges the list of recommendations contained in the report and is committed to addressing and implementing all of the recommendations. At the time your audit was instigated, the Department had a project underway for the recording and reporting of portable and attractive items. The outputs of this project are:

- formalised policies and procedures regarding asset identification, recognition, valuation, measurement, and asset disposal

- implementation of an attractive items register.

It is expected that the project will be completed no later than 30 June 2008. A review by internal audit to verify system integrity has been scheduled in the 2007–08 audit plans for the Department.

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1　Property in police possession

1   Property in police possession

Introduction

In the course of their daily business, Tasmanian police officers take a large quantity of varied items of property into their possession. Every day, throughout the state this occurs at local police stations and major district property stores. The property can range from a wallet found on a street corner to illegal drugs seized in a major police operation. Property taken during investigations can include items such as mobile phones, firearms, paper records even tools or rocks used in break-ins. All of these items are then taken to the appropriate police station, given a receipt number, entered into that station's property records and placed in storage.

One property receipt is issued for each offence so that one receipt can include multiple items of property. At the end of every month, the Department of Police and Emergency Management (the department), gathers statistics as to the number of miscellaneous property and drug receipts on hand.

At the end of 2005–2006, the department was holding 4 470 receipts for miscellaneous property and 3 270 drug receipts, many with multiple items.

Types of property

In general, miscellaneous property consists of items that have been seized by police and may be needed as evidence in court. Its storage and disposal is governed by particular pieces of legislation and police procedures.

In contrast, found property refers to items of property that have been found by the public and handed into a police station in the expectation that the police may be able to identify the owner, or the owner themselves will check with the police. In general, found property relates to small, frequently personal items such as wallets or mobile phones. Under legislation, police must hold found property for three months before the finder can claim the property.

Large quantities of a variety of drugs were also seized as well as drug-related property such as smoking devices.

Types of property receipts

Four different types of receipt were used to record property items and track their movement between stations and services, namely:

- field receipts
- miscellaneous property receipts

- found property receipts

- motor vehicle inventory receipts.

In addition, a Drug Exhibit Sheet (DES) was used to record all drug exhibits seized at one time. This can be used for a single cannabis plant or for a large-scale operation involving considerable quantities of drugs and other items of property.

Types of property stores

All police stations have some form of property store but most property was forwarded to larger stations. A station such as New Norfolk may have eight police officers and either a dedicated property store room or a number of separate rooms (e.g. cells) which have been converted into stores. At most of these larger stations, an officer will be given responsibility for managing property held in addition to his or her other policing duties.

District property stores operate in the three cities of Hobart, Launceston and Burnie. These stores have much larger holdings and each has one or two full-time property officers who were non-sworn, public servants. In each case, there was a separate property store and drug store.

There were also a number of district garages or compounds for seized, stolen or crashed cars as well as a marine property store in Hobart.

Objective

The objective of the audit was to verify whether the department complied with its obligations to deal appropriately with property held. This covered:

- compliance with relevant legislation and internal policies and procedures

- adequate internal controls to safeguard items

- an appropriate disposal or release process

- transparency associated with the management of disposal proceeds.

Scope

The audit assessed management practices by inspecting records and property holdings at eight stores and three drug stores in each of the four Tasmanian police districts. In addition, assessment was made of corporate monitoring of property management. In general, records from the past two years were examined.

Criteria

The criteria used to meet our objective are listed below:

- compliance with legislation, policies and procedures
- security of property
- timeliness and efficiency of disposal
- authorisation of disposal
- monitoring performance.

Timing

The audit commenced in May 2007 and was completed in October 2007.

Resources

The total cost of the audit excluding report production costs was approximately $ 100 300.

1.1 Receipt of property

1.1.1 Introduction

The management of property by police begins with the receipt of found property or property seized as a result of policing activity. We tested the level of compliance with requirements in the Tasmanian Police Manual (TPM) relating to the receipt of items of property, namely:

- recording of information
- completeness of the receipting process
- found property
- transfer of drugs.

1.1.2 Recording of information

The TPM required that when property was received an appropriate receipt was issued. The property owner or finder received the original receipt with the copy remaining in the book being the department's only official record of that particular item. All police stations visited had developed their own stand–alone Excel database to help record and monitor holdings. An electronic database was not an official requirement and the database format varied.

We tested compliance with the TPM by checking receipt books at all stations we visited for completeness, accuracy and legibility.

There was wide variation in how thoroughly the receipt books were completed with some stations filling in all fields and others ignoring some fields. There were also variations in what additional receipts were attached when property was transferred. It appeared that the reason for this inconsistency was partly the complexity of the system and partly a lack of state-wide training in how to complete the receipts.

The quality of handwriting was critical in the paper-based system to ensure accurate record keeping and documentation. An additional factor was the use of carbon paper in two of the four books. Generally, handwriting was legible although notes relating to the transfer of property were less clear. The incorrect positioning of carbon paper frequently made entries illegible.

The TPM required any officer entering information onto a receipt to print out their name in full and to sign the entry[1]. There was a low level of compliance with this requirement.

A further shortcoming identified was the use of broad, generic free text descriptions of property.

Although we found no evidence of systemic failures (e.g. items not receipted or lost), our opinion was that there are risks and serious inefficiencies in the present system. These include duplication of information across the different receipts and the need to transport receipt books to another site when verifying the transfer of property. In our view, the use of carbon paper and reliance on paper records is a risk management issue.

Many of these problems would be solved by the introduction of a centralised, electronic property management system. An electronic system would increase efficiency with search facilities, instantaneous, state-wide monitoring of all holdings and a significant reduction in duplication of information and effort. Anecdotal evidence is that police in all other states have electronic systems.

Recommendation 1

We recommend that the department introduces a centralised, electronic property management system with capacity to record detailed property data and effectively track property movements.

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[1] TPM section 2.28.3 (1)

1.1.3   Completeness of the receipting process

It was essential that every piece of property in police possession had been receipted since the allocation of a receipt number to the item was the sole means of locating the item once it was in the store.

Clear labelling of property was also a requirement in the TPM for found, miscellaneous and drug property[2]. Items of found and miscellaneous property require a label with the relevant property number clearly marked.

We tested the completeness of the receipting process by taking samples off the shelf from each store visited and then locating the receipt. During this process, we checked for correct labelling.

We were able to locate the correct receipt for all property sampled and found that in the majority of cases the description matched the item. We found that there was variance between stores in the types of labels used and how clearly the receipt number was written. Some stores attached a copy of the Miscellaneous Property Receipt (MPR) to the item instead of, or in addition to, a label.

The requirements for labelling of drug exhibits were much more detailed. A label must be completed for each item containing detailed information relating to the circumstances of the seizure. In checking drug exhibits, we found a number of unlabelled exhibits at one of the property stores.

With this one exception, we found that the level of compliance was satisfactory.

1.1.4   Found property

Receiving found property and attempting to identify its owner was part of community policing and was distinct from property held as a result of illegal activities. For a lost and found system to be effective, it is necessary for there to be an information flow between the found property received and reports of lost property submitted by the public. As explained below, we were not confident that this connection existed in the current, largely paper-based, system.

There were clear procedures in the TPM describing the process required[3]. After a found property receipt was issued to the finder, the receiving officer should complete two steps:

- Determine if the property was actually stolen by checking the department's electronic Offence Reporting

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[2] TPM sections 2.28.9 (5), 2.28.11.1 (2) and 2.9.8 (1)

[3] TPM section 2.28.9.1

System (ORS), which was available on the departmental intranet.

- ▪ Forward a copy of the found property receipt in question to the nearest district property office, where the full-time property officer should check against lost property records.

The level of compliance with the first step varied. The reason given by property officers for failing to check the ORS was the slowness of the report functions in the system.

There were significant problems with the second step because the lost property reports submitted by the public were maintained on a stand-alone database with restricted reporting capacity. As a result, it was not straightforward for property officers to check their found property against state-wide lost property reports although they could check against lost property reports received at their own store. There was also evidence of significant confusion as to which of two possible databases should be interrogated.

In addition, it appeared that few stations were complying with the requirement to send copies of found property receipts through the mail to the district property officers. In turn, the district property officers found this requirement onerous and some did not make any attempt to check the duplicate receipts they received. This impasse would not have occurred if all property officers, in both stations and the district stores, had access to the lost property database.

The end result of this situation was that, generally, it was not possible to link found property with lost property reports except when both were located at the same property store.

Recommendation 2

We recommend that the Lost Property Report database be made accessible on the department's intranet site to all property stores. The procedure should be changed to require officers receiving found property to check against this database and no longer send duplicate receipts to district stores.

1.1.5 Transfer of drugs

The process for the receipt of illegal drugs was different from other types of property in that drug exhibits must be stored in one of the three district drug stores at Hobart, Launceston or Burnie. The relevant section in the TPM states that drugs or drug-related

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property should be transferred from stations to a drug store 'at the first opportunity'[4].

Historically, the handling of drug exhibits had been highlighted by police as a potentially high-risk activity. As a result, the Management Review Division (MRD) had focused on this area in the past by conducting regular audits of the three drug stores in relation to the timely transfer of exhibits to the drug store, their storage and disposal. In reporting the results of these audits, MRD frequently expressed concern about delays in the transfer of drugs.

We tested compliance by sampling drug exhibits at all stations visited as well as the three drug stores, calculating the time period from when the drugs were seized to when they were delivered to the store. We found significant delays in the transfer of drugs in the pre-2006 samples but these had already been highlighted by the department's own internal controls. However, we were concerned that delays continued to occur throughout the current year after the issue had been highlighted by MRD. Table 1 summarises the extent of these delays.

Table 1: The transfer of 2007 exhibits to drug stores

Drug Store	Sample size	Average delay (days)	Range (days)
Hobart	22	6	0 – 41
Launceston	42	10	0 – 123
Burnie	19	10	0 – 40

While the term 'first opportunity' may be open to interpretation, the three district commanders with responsibility for a drug store agreed that their expectation was that drugs should be delivered to the store the next day where possible. However, this would not be practical with remote rural stations where transfer within a week was more realistic.

Recommendation 3

We recommend that the department introduces new controls to ensure stations promptly deliver drugs to the nearest drug store and continue to monitor this matter.

1.1.6   Conclusion

Police receive a large amount of property every day which must be appropriately receipted, labelled and stored. We observed that the

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[4] TPM section 2.9.9 (3)

task was made more challenging by a complex, paper-based system which used hand-written entries and carbon paper. Many of the receipting problems we identified would be resolved by the introduction of an electronic property management system. In addition, there were two other areas of concern which need to be addressed: the lost and found property system and the timely transfer of drug exhibits to the nearest drug store.

1.2   Storage

1.2.1   Introduction

Property in police possession needs to be securely stored. Access to the property should be limited to authorised personnel and property should not be unnecessarily damaged while in police possession.

The layout of property stores varied considerably across the state. While all stations had an area where property was stored, only larger stations had a designated property store. It was rare that a property store had been purpose built — the Hobart property store being an important exception — and very often former cells had been converted. Often, available space was severely limited so that basement areas had to be utilised.

The TPM required that miscellaneous and found property was held in 'safe custody'[5]. We interpreted that requirement to include:

- adequacy of location information
- security of stores
- adequacy of control over transfer of property
- adequacy of control over handling of money.

1.2.2   Adequacy of location information

It was essential that property could be quickly and easily located in a store if the item was required. This was not always straightforward when large amounts of property were held or property was spread across a number of locations within the same station. In order to test the efficiency with which stores were organised, we took samples from the station's receipt books and then sighted the items of property in the stores.

We found that property officers had devised a variety of systems to record the location of property. These systems included a shelf or room reference in an Excel spreadsheet or whiteboards adjacent to storage areas where holdings were listed. In contrast, the district property stores tended to place property in the store chronologically.

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[5] TPM sections 2.28.9.1 (5) and 2.28.11.1 (2)

This approach required periodic physical resorting of items to fill in gaps left by disposed property to make space for new items. While ingenuity had been shown in devising effective systems, the variation in practice was symptomatic of a lack of state-wide consistency in property management practices.

We were able to sight all the items of property for which we had chosen sample receipts. However, there was variation in the ease with which property was located. In some instances this was due to space restrictions and the need to spread property out over a number of stores. In others, there was difficulty finding items because no system was in place. Generally, locating property was dependent on the property officer's recall and the consistency with which they maintained the particular system they were using.

Despite our positive findings, we were not confident that property had always been easy to locate in the stores visited. At a number of locations, anecdotal evidence suggested that there had been a large-scale disposal of property before our visit. Comments made by property officers indicated that before the clean out, some stores had been so full that it was difficult to access all property.

Because of this, and the wide variation in practice we observed, the organisation of property stores was of concern. The situation would no doubt improve with an electronic property management system which could include fields for location in the store. However, this variation in how stores were organised mirrors the variation we noted in the completion of receipts in section 1.1.2. It was our opinion that state-wide training for all property officers — both sworn and unsworn — should be introduced to ensure consistency in property store management.

Recommendation 4

We recommend that state-wide training in an agreed property store management system be introduced for all property officers.

1.2.3   Security of stores

When visiting stations, we made careful observations of the security of the property stores. In some stations, the property store was internally located within the station or in the former cell block. While the level of security varied, there were only two instances where security was a concern. These involved the storage of large amounts of cash in a locked room rather than a safe, and a station property store with a second, external door.

We also observed how well protected property was stored. Although shelving was sometimes not ideal and there was often limited space, our main concern was the large number of stores where there were no racks for firearms. While firearms were stored according to legislation in metal cabinets with ammunition held separately, there were instances where they were stacked together in a corner. There was no other evidence of property that had been damaged while in storage.

Recommendation 5

We recommend that the department investigates improving storage facilities for firearms.

1.2.4   Adequacy of control over transfer of property

The transfer of property between stations and departmental services was a frequent event. The most common transfers were from the receiving station to a drug store, Firearms Services (FS), Forensic Science Service Tasmania (FSST) or the Office of the Director of Public Prosecutions (DPP). As a general rule, each time an item was transferred, it was allocated a new identifying number. There was limited cross-referencing between these numbers despite requirements that this be done[6].

To test the security of transfers, we took details of items that had been transferred out of two property stores. We then checked that the service to which they had been re-located could account for the property.

We were able to account for all the items sampled. However, we were concerned about the efficiency and security of the transfer system. We observed one instance where an empty exhibit bag was returned to a district property store (i.e. without the exhibit and the original receipt number). We also considered it inefficient and risky that stations must take the relevant MPR book with the exhibit to the particular service to formally record the transfer of property.

There was also wide variation in how transfers were recorded. The TPM requires that any receipt from a transferred item be attached to the relevant MPR but this practice was very inconsistent[7]. Writing transfer details on the MPR was the only means of tracking the movement of property. However, because of its poor design, this was often difficult even with a small number of items but almost impossible when there were multiple exhibits on one receipt.

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[6] TPM section 2.9.8
[7] TPM section 2.28.4 (2)

Tracking property movement on the existing MPR was so difficult that one district store had developed its own form as a work around.

A centralised, electronic system would greatly facilitate tracking the movement of property, as stated in Recommendation 1:

> We recommend that the department introduces a centralised, electronic property management system with capacity to record detailed property data and effectively track property movements.

1.2.5   Adequacy of control over handling of money

Stations handle both found cash and money seized as a result of police operations. In contrast to other property, the TPM made it clear that any money received should not be stored but banked 'as soon as practicable'[8]. We sought to test compliance by requesting evidence of banking but only a few stores were able to provide receipts.

In four out of the six property stores we visited, there was no attempt to bank found money. Stations explained they preferred to retain the cash in anticipation of the owner or the finder coming to claim it. This was easier than the perceived delays involved in banking the cash and waiting for a cheque to be drawn by financial services in Hobart.

At one large station, $50 000 was being held. The cash came from a number of different seizures and was being held in case it was needed as evidence in court. The seizures dated back to 2005 and the money was held in a locked room which was used for a variety of purposes. At the time of our visit, it was often unlocked. The TPM advised that when cash may be needed as evidence, it should be photographed before being banked[9].

Even when particular stations did bank money there were inevitable delays while sufficient cash was accumulated to warrant a deposit. We also found that the TPM procedures relating to handling money were not accurate and needed to be revised. The procedures refer to out–dated practices including stations issuing their own cheques and receiving banking receipts. It is important these inconsistencies are resolved.

Recommendation 6

We recommend that the department reminds property officers of the requirements to bank money.

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[8] TPM section 2.28.8 (2)
[9] TPM section 2.28.8 (11)

Recommendation 7

We recommend that the department updates its procedures relating to handling money to reflect the current finance system and speeds up the process of drawing cheques for payment to members of the public.

1.2.6   Conclusion

A consistent and systematic approach is needed to efficiently store the large quantities of property held across the state. While we were able to locate all our selected samples in the stores visited, there was significant variation in how stores were organised. State-wide training for property officers in an agreed store management system would address this matter. The requirements relating to handling money need to be clarified and clearly communicated to all property officers. Finally, the current difficulties in effectively tracking the movement of property between stores and services would be resolved by the introduction of an electronic property management system.

1.3   Disposal

There were two aspects to the disposal of property. On the one hand, police must comply with legislative and internal requirements that ensure disposal only occurs after certain criteria are met. On the other, it is important that property is disposed of quickly to avoid accumulating large quantities. Property held for longer than six months was highlighted in departmental monthly performance measurements.

1.3.1   Miscellaneous property

A number of different acts of Parliament governed disposal of miscellaneous property[10]. Property that police held ranged from maritime items, confiscated cars, stolen goods or valueless objects such as tools used to commit a crime. This property, depending on the circumstances, could be disposed of by return to the owner, sale at auction, donation to charity or destruction.

We made note of the disposal information and documentation for our samples of miscellaneous property and identified no instances of property held longer than necessary. This was not surprising since the department's own performance management process reports on miscellaneous property held over six months.

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[10] A list of the relevant pieces of legislation is contained in the Appendix.

As with other aspects of the MPR, however, we found inconsistency in the amount of detail included. We did not find any incident where property had been disposed of incorrectly, but the wide variation in disposal documentation would suggest that state-wide training, as mentioned in Recommendation 4, would ensure greater consistency and a clear audit trail:

> We recommend that state-wide training in an agreed property store management system be introduced for all property officers.

1.3.2   Found property

The Found Property Receipt (FPR) book presented four options for disposal: return to owner or finder, sale by auction, donation to charity or destruction. If found money was not claimed it went into Consolidated Revenue.

A potential conflict was brought to our attention between current practice as outlined in the FPR and the legislation governing the disposal of found property[11]. The legislation implies that unclaimed found property can only be sold, which had been the practice until recently. In contrast, the FPR book presents the four options outlined above. It is important that this uncertainty be resolved, since there is the potential at the moment that property may be unlawfully destroyed.

Recommendation 8

We recommend that the department resolves the apparent conflict between the legislation and current disposal practice for found property.

In addition, we also identified a deficiency in the FPR book in that there was no field in which to enter a disposal date on the receipt. This meant it was not possible to determine how long found property had been held before disposal. This situation was not satisfactory from an audit perspective. The problem would be resolved if a new electronic system, with a field for the disposal date of found property, were introduced as in Recommendation 1:

> We recommend that the department introduces a centralised, electronic property management system with capacity to record detailed property data and effectively track property movements

1.3.3   Drugs

As mentioned in section 1.1.5, every aspect of the handling of drug exhibits had been the focus of considerable departmental attention.

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[11] *Police Offences Act 1935* section 43

We found the documentation of drug disposals was very thorough and detailed and included evidence of disposal authorisation as well as the method of destruction.

The length of time that drug exhibits were held before destruction had been highlighted by MRD in earlier internal audits of the three drug stores. In reviewing destruction documentation, we found evidence that consistent effort was now being made to ensure that drug exhibits were destroyed in a timely manner. At one drug store, a major effort had been made prior to our visit to destroy exhibits that were no longer needed.

Ministerial guidelines were being finalised which would further enable the timely disposal of exhibits. In particular, the guidelines would permit a 'sample and destroy' approach to handling large cannabis plantations. This would be a very positive move which would significantly reduce the size of holdings in the three drug stores.

1.3.4   Disposal authorisation

It was apparent from discussions with management that the department was eager to ensure the prompt and efficient disposal of property. However, inconsistencies in internal requirements were an obstacle to achieving this goal, namely:

- A justice of the peace must authorise the disposal of found property.

- The relevant inspector must authorise the disposal of marine property and drug exhibits.

- A district commander must authorise the disposal of valueless property which could include damaged goods, a DNA swab or a rock used to break a window.

It was surprising that disposal authorisation was required from such a senior rank as a district commander for those items of property which had the least value. In contrast, the disposal of drug exhibits, which have been identified by the department as an area of high–risk, were authorised by the less senior rank of a Drug Investigation Service (DIS) inspector.

The commander's authorisation to destroy valueless property was secured by the exchange of forms between the property store and the commander's office. Often, this was within the same building, but frequently it required exchange of paperwork between a rural station and a metropolitan district office. Revision of these authorisations to allow a divisional inspector to authorise the destruction of valueless property would significantly speed up the disposal process.

> **Recommendation 9**
>
> **We recommend that disposal authorisation in the Tasmanian Police Manual be reviewed to increase the efficient disposal of property.**

1.3.5   Disposal proceeds

Under legislation, the proceeds from the sale of miscellaneous and found property go directly into Consolidated Revenue. Property for sale by auction is collected by the three district property stores and proceeds are transferred into Consolidated Revenue.

We examined one district store's records of all auctions from the previous 12-month period. We then confirmed the transfer of the proceeds into the appropriate account.

1.3.6   Conclusion

While it is critical that only appropriately authorised disposal occurs, it is also important that the disposal process is efficient and timely. We found that the current performance measurement process ensured the timely disposal of miscellaneous property but we were concerned that we could not test for timeliness of the disposal of found property because of the absence of a disposal date on the FPR. We also found that there were variations in how miscellaneous property disposals were documented and uncertainty about the legality of current disposal practices for found property. In addition, the efficiency of the process could be improved by delegating disposal authorisation for valueless property from district commanders to divisional inspectors.

1.4   Monitoring

In addition to the management of items in property stores, we also assessed corporate management's activities to ensure compliance with internal controls. Central to management's concerns was the amount of property held and efforts to reduce it.

Areas we examined were:

- up-to-date procedures
- corporate reporting
- the Management Review Division
- inspections.

1.4.1   Up-to-date procedures

We would expect a police procedures manual should provide officers with clear and practical guidelines to enforce a particular piece of legislation. It is also important that the procedures are up-to-date since they are the standard by which compliance is measured.

There was a wide range of legislation which governed the management of property in Tasmania[12]. Regular amendments were made to update both legislation and procedures while new legislation was also introduced. Amendments to the *Police Offences Act 1935* to allow the confiscation of vehicles for anti-social driving were made in 2004 while new legislation, the *Misuse of Drugs Act 2001* resulted in extensive procedures relating to the handling of drugs. As a result of this ongoing change, the TPM was far from homogeneous in its level of detail or language used.

We became aware that while some procedures have received recent attention, others need revision. Some procedures no longer reflected current practice while others were simply not practical.

Recommendation 10

We recommend that the department reviews all property procedures and updates its manual accordingly.

1.4.2   Corporate reporting

The use of management data to monitor performance is an approach used throughout the department for a wide range of activities. For the management of property, three measures are used. These are the total numbers of:

- miscellaneous property receipts held for over six months

- miscellaneous property receipts

- drug receipts.

Reporting on these three measures occurred in all property and drug stores at the end of every month and the results were forwarded to Corporate Reporting Services (CRS).

The measures provided valuable information concerning long-term trends in each area. These results are summarised in Table 2.

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[12] See Appendix 1

Table 2: Trend data for property

Measure	Result
Miscellaneous property held over six months	Down 16% from 1999–00
Total miscellaneous property receipts held	Down 11% from 2003–04
Drug receipts held	Up 55% from 2001–02

It was important to view these downward trends in the context of general policing activity. The consistent decrease in miscellaneous property holdings should be seen in relation to a 30–50% increase in the same period in the amount of front-line policing.[13] At a time when larger quantities of property were taken as a result of increased policing, the department had achieved a reduction in the quantity of miscellaneous property held.

It was evident from observations in the stations, that the monthly compilation and review of the property performance indicators were a challenge to property stores which ensured a focus on the timely disposal of property.

We also saw evidence of the way in which CRS monitored district and divisional performance and followed up areas where property holdings exceeded the benchmark target. We were confident that these measures were effective in monitoring performance.

In light of the considerable time devoted to managing found property in the stores and the importance of this area to the public, the department should consider including found property in its performance indicators.

Recommendation 11

We recommend that the department include found property in the performance measurement process.

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[13] This includes measures such as general charges prosecuted (33% increase), offenders charged with drug offences by uniform officers (56% increase), and the number of serious drug offences (30% increase).

1.4.3 Management Review Division

The charter of the MRD included a requirement to 'ensure compliance with relevant policies, plans, regulations and standards'[14]. The MRD inspector reported directly to an Assistant Commissioner.

The division had been active in reviewing property management through the following mechanisms:

- at least one system inspection of every Tasmanian station property store since 2000 which are now conducted on a random, unannounced basis

- audits of the three drug stores testing one-in-ten exhibits held which were the result of a specific requirement for the division to focus on high-risk areas of policing

- random, unannounced divisional inspections which assessed specific workplace issues

- a new schedule of audits of all property stores in the state which was yet to commence.

In assessing MRD activities, we found clear evidence of a systematic and detailed approach especially with its drug store audits. However, there were limitations in what could be achieved in assessing property stores when the systems inspection approach was used. A systems inspection was a 15-point checklist covering all aspects of station operations in which property management is only one aspect. The approach was used for both self-inspections by stations and MRD inspections.

The planned property store audits could address some of the non–compliance problems we identified. Compliant and efficient property management are likely to increase with the introduction of regular audits of property stores. Increasing the focus on property store inspections within the systems inspection template would also improve property management efficiency.

Recommendation 12

We recommend that the department revise the system inspection template to increase the focus on property store inspections.

1.4.4 Inspections

In addition to the inspections conducted by MRD, the following inspections are undertaken by line management:

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[14] Management Review Division Charter of Operations 1999

- an annual district inspection of property stores

- a six-monthly divisional inspection of property stores

- internal station inspections using the systems inspection approach

- the monthly review of property holdings conducted in all stations while compiling performance measurement statistics.

The district and divisional inspections were listed as Orders in the property procedures[15]. We found evidence that the district inspections were being delegated by commanders to divisional inspectors but found little evidence that the required six-monthly divisional inspections were being consistently completed. Nor was there evidence that station self-inspections were being undertaken regularly.

In addition, the TPM required that copies of both district and divisional inspections were forwarded to MRD[16]. There was no evidence that this occurred or that records of previous inspections were systematically filed by stations. Assigning responsibility for property inspections to a senior manager would ensure a more systematic and efficient approach.

Recommendation 13

We recommend a review of the property inspection regime to determine a systematic schedule and responsibility for inspections assigned to a member of senior management.

1.4.5   Conclusion

Monitoring performance, either through the compilation of monthly statistics or regular inspections of stations and services, is a particular strength of the department. We found that the collection of property statistics was well organised and served to focus attention on miscellaneous property, especially its timely disposal. However, the management of found property would improve if it were included in monthly data collection. In addition, the regime of property inspections was less systematic and would benefit from a more coordinated approach.

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[15] TPM section 2.28.10
[16] TPM section 28.8.10 (1)

2   Control of assets: Portable and attractive items

2 Control of assets: Portable and attractive items

Introduction

Assets are resources that are expected to provide future economic benefits. Under Treasurer's Instruction (TI) 303, assets with a value in excess of an agency's asset recognition threshold (usually $10 000) must be recorded in an asset register for financial reporting and control purposes.

This audit is concerned with assets that have values below the recognition threshold but are still valuable and attractive, such as personal computers, power tools and paintings.[17] Although the loss of these items may not represent a substantial risk to an agency, lack of accountability can contribute to an internal culture of carelessness or dishonesty and to loss of public confidence.

These items are covered by TI 304 which required registration of portable and attractive items (PA items) for physical control purposes.

Also relevant are TIs relating to disposal including:

- TI 1301 which directs agencies to attempt to achieve the best return to the government

- TI 1302 which outlines some disposal process requirements for items with an estimated value of $10 000 or less

- TI 1305 which requires agencies to offer surplus personal computers to the Department of Education (DoE) for use in schools.

In addition, this audit was also concerned with the application of other instructions, guidelines and policies to support a culture of respect for public property within an agency, including:

- TI 102 — Finance manuals

- a *Code of Conduct* based on the *State Service Act 2000* principles

- risk management and/or internal control.

Objective

The objective of this compliance audit was to verify whether the recording, control and disposal of PA items in government agencies

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[17] Some examples of portable and attractive items can be found in Appendix 2.

was effective and in accordance with relevant instructions, guidelines and policies. This covered the areas of:

- effective control as evidenced by the reporting of items in registers of PA items

- disposal of PA items by government agencies in compliance with TIs and other guidelines.

Scope

We conducted the audit across the Houses of Parliament (HP) and the following government departments:

- Education (DoE)

- Health and Human Services (DHHS)

- Economic Development (DED)

- Tourism, Arts and the Environment (DTAE).

We collected a sample of financial records from transactions between July and December 2006 to track the processing of transactions from ordering to the asset register or other records.

Criteria

Criteria for the audit were based on the *State Service Code of Conduct*, agency policies and the following TIs:

- TI 102 (Finance manuals) requires agency finance manuals to document the agency's accounting and financial management policies and guidelines. The manuals should not merely paraphrase the TIs but translate these obligations into specific activities expected within the agency. TI 102 also requires periodic review of the finance manual.

- TI 304 (Recording of non current assets) requires PA items to be registered for physical control purposes.

- TI 1301 (Disposal of goods — Overview) requires that all disposals be conducted so that the best return to government is achieved.

- TI 1302 (Disposal of goods with an estimated disposal value of $10 000 or less) directs that, with some exceptions, the Head of Agency determines the disposal process.

- TI 1305 (Disposal of personal computers) requires agencies to offer surplus personal computers to DoE for use in schools.

Audit methodology

We audited financial recording procedures, reviewed asset management policies and procedures and inspected asset registers to establish the level of compliance with the relevant TIs. We looked for evidence of adherence to the *State Service Code of Conduct* by staff and interviewed staff to observe the systems in place to identify minor assets, especially PA items, and to manage their asset registers.

A sample of financial records was collected from transactions for each agency. Each transaction's processing was tracked from ordering to the asset register or other records. We identified PA items in the sample and attempted to locate them in registers.

Timing

Planning of the audit commenced in February 2007. The fieldwork was conducted from June through to September with this Report finalised in October 2007.

Resources

The total cost of the audit excluding report production costs was approximately $ 81 000.

2.1 Commitment

We examined the extent to which agencies demonstrated their commitment to physical control of PA items. In making that assessment we considered the following matters:

- Did the finance manual refer to PA items and, in particular, did it define 'portable and attractive' and outline the agency's registration process?

- Did the organisation have a *Code of Conduct* based on the principles of the *State Service Act 2000* and had it been effectively promulgated (e.g. included on agency website or included in commencement procedures for new employees)?

- Did the agency have a risk management or internal control function to reinforce its accountability processes?

2.1.1 Houses of Parliament

No finance manual was available at the Houses of Parliament (HP) at the time of the audit but we were advised that its development was planned. HP did have Asset Acquisition and Disposal Procedures that provided policy and procedural information, including requirements to record all assets in the Parliamentary Inventory System. The

document did not define PA items specifically but categorised all assets and defined how they should be recorded.

HP did not have a staff *Code of Conduct*. The argument was put that since Parliamentary staff are not employed under the *State Service Act 2000* there is no legislative requirement for one. This is technically correct but we maintain that it is good practice for all public sector entities to establish and operate within an agreed code of conduct. The State Service code is an effective model in this regard. Staff at Parliament argued that there is an implicit code of conduct because of the nature of the role. While this is so, an explicit code is preferable and we note that, by contrast, Members of Parliament do have a *Code of Conduct*.

Recommendation 1

We recommend that the Houses of Parliament develop a comprehensive finance manual.

Recommendation 2

We recommend that the Houses of Parliament develop a staff *Code of Conduct*.

2.1.2   DoE

The finance manual existed on the DoE intranet and included current policies relating to PA items, supported by guidelines and procedural documentation. The set of live pages clearly identified responsibilities and delegations within the agency.

The manual defined PA items as:

> Assets that are considered to be a high security risk in respect of their security, due to their attractiveness, size or portability.

The policy stipulated that PA items should be recorded irrespective of their value and provided examples including computers, software packages, power tools, cameras, DVD players, musical instruments and sound equipment.

DoE had a *Code of Conduct* based on the principles of the *State Service Act 2000,* which was available to all staff via the agency intranet. It specifically described staff responsibilities in relation to the use of departmental resources.

DoE also had an internal control function, which included the responsibility for assessing how management was safeguarding assets and verifying compliance with laws and regulations.

2.1.3   DHHS

The *Portable and Attractive Items* section of the finance manual defined PA items and instructed that they should be recorded by agency divisions, including hospitals and other health services:

> Certain items that have values below the asset recognition threshold are, by their nature, susceptible to theft or loss. Such items, termed portable and attractive, may include personal computers, programmable calculators, cameras, power tools, ladders and like items. Items below the $10 000 threshold which are considered *attractive* and/or *portable* are to be recorded by each Division in a Register for the purpose of control.

We found that several of the asset management sections of the finance manual contained no more information than is provided by TI 102 that requires:

> The manual should not merely paraphrase the Treasurer's Instructions but translate these obligations into the specific activities that are expected within the Agency.

In our opinion the DHHS finance manual did not provide sufficient asset management information at the time of our audit and it was not sufficiently targeted at DHHS' activities.

DHHS had a *Code of Conduct* based on the principles of the *State Service Act 2000* available on its intranet and provided links to the *Commissioner's Directions*. All staff could access the information and were required to acknowledge an understanding of it at the time of their induction to the State Service.

DHHS Internal Audit Division included asset management in its program. The need for an agency-wide asset management review had been identified and progress had been made toward its completion. A separate project with the objective of reviewing finance policy, procedures and manuals had also been scheduled.

2.1.4   DED

The asset management section of the finance manual included agency-specific policy and procedural documents, as required by TI 102. The *Asset Management* policy outlined requirements for both major and minor assets. PA items were defined as follows:

> Easily portable and attractive assets that have values below the asset recognition threshold (i.e. less than $5,000) are, by their nature, susceptible to theft or loss. These items may include personal computers, programmable calculators, cameras, power tools, palm pilots and like items.

Four areas of DED were responsible for recording attractive items in five minor asset registers:

- Finance and Facilities Management Unit (FFMU) maintained the Facilities minor assets register and the mobile phones register.

- IT maintained the IT minor assets register.

- Tasmanian Institute of Sport (TIS) maintained the TIS minor assets register.

- The Wilderness Program (WP) — formerly Project Hahn — maintained the WP Minor Assets register.

An asset management policy detailed the responsibilities and processes required for PA items, which included recording, updating and disposal requirements.

DED had a *Code of Conduct* available to all staff via the agency intranet. All staff could access the information and were required to acknowledge an understanding of it at the time of their induction to the State Service.

DED operates an internal audit function which audited asset management in 2004. The audit included a stocktake and review of some strategic issues.

2.1.5 DTAE

A finance manual was not available from DTAE, although some of the policies and procedures that would be contained in a comprehensive finance manual were available under various administrative sections of the agency intranet. DTAE IT demonstrated a set of procedures for receiving IT goods and recording them in its IT register.

In response to the findings of an internal audit of asset recording systems completed in March 2007, DTAE planned to address asset management issues including formalisation of policies and procedures:

- regarding asset identification, recognition, valuation, depreciation, measurement and disposal

- covering linkages between all asset recording systems across the department.

DTAE provided draft copies of *Assets* and *Portable and Attractive Assets* policies. The drafts included definitions of PA items and outlined the requirement to record them for purposes of control. However, guidelines for the agency-specific process to record PA items were

not included in the draft policies and we noted that procedural documentation was yet to be developed.

DTAE had a *Code of Conduct* available to all staff via the agency intranet. All staff were required to acknowledge an understanding of it at the time of their induction to the State Service.

We also noted that DTAE had a risk management strategy outlined in its Corporate Plan, with asset management listed for action.

2.1.6   Conclusion

We found DoE and DED demonstrated strong commitment to the control of PA items with clear asset registration guidelines provided in their finance manuals, effective promulgation of the staff *Code of Conduct* and internal review processes in place to examine asset management risks. HP demonstrated a reasonable level of commitment with the development of detailed asset management procedures. DHHS also demonstrated a reasonable level of commitment but the finance manual lacked detail. DTAE showed no significant commitment to the management of PA items in terms of current procedures. We noted that both DHHS and DTAE demonstrated progress in their projects to improve minor asset management including the recording of PA items

2.2   Implementation

We tested the implementation of TI 304, which requires that PA items be registered for physical control purposes, using the following requirements:

- Did agencies have guidelines to define PA items?

- Did agencies have a register for PA items?

- Did agencies have an effective system to ensure recording and identification of PA items?

- How was the location of PA items controlled?

2.2.1   HP

2.2.1.1   Did agencies have guidelines to define PA items?

The *Tasmanian Parliament Asset Acquisition and Disposal Procedures* defined categories of assets to be recorded at HP, regardless of their value. We noted that:

- Prior to preparation of the *Tasmanian Parliament Asset Acquisition and Disposal Procedures* in May 2007 the Finance Manager for the Houses of Parliament followed

an informal policy of recording all items over $200 in the Parliamentary Inventory System.

- Following a meeting of representatives from each of the Houses of Parliament in May 2007, policies contained in the *Tasmanian Parliament Asset Acquisition and Disposal Procedures* came into effect. The procedures instructed that the Parliamentary Inventory Officer was responsible for recording items in the Parliamentary Inventory System.

- PA items were not specifically defined in the *Tasmanian Parliament Asset Acquisition and Disposal Procedures*. However, the procedures did specify that all items were to be recorded regardless of value and listed twenty examples of items that could be described as PA to be recorded under the following categories: ICT, audio/visual and miscellaneous.

- The *Tasmanian Parliament Asset Acquisition and Disposal Procedures* did not specify a control threshold to exclude very low items, as is recommended in TI 304.

Recommendation 3 (All agencies)

We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

2.2.1.2 Did agencies have a register for PA items?

HP maintained two equipment registers within which all assets were recorded. All items purchased with the Legislative Council Members' research allowance were recorded in a register maintained by the Clerk of the Council. All other items, above $200, were recorded in the Parliamentary Inventory System. Items under $200 were not recorded as assets and were expensed as consumables. In our opinion, this policy met the requirements of the TIs.

2.2.1.3 Did agencies have an effective system for recording and identification of PA items?

The Parliamentary Inventory Officer was responsible for maintaining the inventory, stock taking and recording of all minor assets across both Houses of Parliament. Details of the procedures were outlined in the *Tasmanian Parliament Asset Acquisition and Disposal Procedures*.

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To test the effectiveness of the system used to record and identify PA assets, we selected a sample of invoices for PA items from a list of creditors' transactions and found that all were included in the Parliamentary Inventory System.

2.2.1.4 How was the location of PA items controlled?

Control over location was provided by the use of barcodes, which were recorded in the inventory system and we confirmed that the inventory system was subject to regular stocktake. We also successfully located a sample of recorded items and matched their barcode stickers to asset records.

2.2.2 DoE

2.2.2.1 Did agencies have guidelines to define PA items?

DoE had guidelines to define PA items available on their intranet. The *Equipment Management Policy* included the following definition of PA items, and required that they be registered for physical control purposes:

> Assets which are considered to be a high risk in respect of their security, due to their attractiveness, size or portability, should also be recorded irrespective of whether their value is above the $5,000 [advised now $10,000] threshold or not. Examples of such assets would include: computers, software packages, power tools, cameras, DVD players, musical instruments, and sound equipment.

Whilst, the definition is useful in terms of ensuring items are included in a register, it neither provided guidance as to which items should be excluded (e.g. office furniture under $2 000), nor specified a minimum threshold.

As stated in Recommendation 3:

> We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

2.2.2.2 Did agencies have a register for PA items?

Two computerised financial systems were used at DoE to record PA items. The School Administration Computer System (SACS) was used in schools while the non–school business units used Finance One. Schools used a range of registers to record PA items:

- the SACS asset module

- ▪ TALIS in school libraries
- ▪ Excel spreadsheets.

The State Library recorded heritage and lending collections in TALIS. Non–school business units, including the State Library, did not record any PA items, other than IT equipment, below the DoE asset recognition threshold of $10 000. Accordingly, we consider DoE to not be fully compliant with TI 304.

Recommendation 4 (DoE, DHHS, DTAE)

We recommend implementation of registers to record PA items in all business units.

2.2.2.3   Did agencies have an effective system for recording and identification of PA items?

To test the effectiveness of the non–school system used to record and identify PA assets, we selected a separate sample of invoices for PA items from a list of creditors' transactions.

Some invoices from the sample related to items purchased by the State Library and we found that purchased books from our sample had been recorded in the TALIS. However, we were unable to find evidence that purchased CD players and printers from our sample had been recorded in the library register.

Other invoices from the sample related to IT items. We located some records for IT–related invoices on the IT register but were unable to find others, possibly because those items had not been centrally purchased as required by current IT policy.

It is departmental policy that schools are managed as individual business units. Six schools were selected for audit testing. Only two of the schools were able to locate all of the items listed on the sample of invoices investigated. Interviews and interrogation of the systems at each of the six schools showed that, in general, schools maintained good records of their IT equipment. School libraries used TALIS to maintain good records of library and other equipment available for loan. In the school environment equipment required for teaching is well managed and accounted for annually as a part of the school budgeting procedure. However, items that fall out of these requirements, such as trophies, art works, catering and amenity items, were less rigorously recorded.

Not all schools used the asset module available in SACS. Those that were not using it cited a lack of experience, training and shortage of time or support to investigate its use.

> **Recommendation 5 (DoE)**
>
> **We recommend that school administrative staff be provided with adequate training to ensure effective use of the asset recording system.**

2.2.2.4 How was the location of PA items controlled?

The DoE *Equipment Management Policy* required regular (at least annual) physical stocktakes to be undertaken to verify the existence of assets and to confirm their location. The policy also stated that physical checks of high-risk portable items such as computers and video recorders should be undertaken more frequently.

School Principals and Budget Centre Managers were delegated responsibility for local site asset management, including the recording of assets acquired and funding of the maintenance and replacement of equipment assets under their control. Each year, schools prepared a budget and identified existing assets required for classrooms and teaching programs. School libraries performed regular stocktakes of their lending equipment. Schools were required to provide DoE with a report of all their purchases annually. We were provided with evidence that DoE undertook regular internal audits of schools, which included stocktakes of PA items.

2.2.3 DHHS

2.2.3.1 Did agencies have guidelines to define PA items?

The *Portable and Attractive Items* section of the DHHS finance manual defined PA items as follows:

> Certain items that have values below the asset recognition threshold are, by their nature, susceptible to theft or loss. Such items, termed portable and attractive, may include personal computers, programmable calculators, cameras, power tools, ladders and like items. Items below the $10 000 threshold which are considered *attractive* and/or *portable* are to be recorded by each Division in a Register for the purpose of control.

Whilst, the definition was useful in terms of ensuring items were included in a register, it provided no guidance as to which items should be excluded (e.g. office furniture under $2 000).

As stated in Recommendation 3:

> We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

2.2.3.2   Did agencies have a register for PA items?

The *Portable and Attractive Items* section of the DHHS finance manual required divisions to:

> … maintain a register of all their PA items valued below $10 000. These are items, which although less than the asset threshold amount, should be recorded by virtue of their nature. They include computers, cameras, video equipment and furniture.

However, DHHS advised us that the department did not have a coordinated system to record PA items below the $10 000 threshold.

Divisions reiterated that they did not maintain minor asset registers, although we were informed that an IT asset register had been implemented following the recent decision to replace leased equipment with a centralised purchasing plan.

At DHHS, an asset management review project was underway. It was intended to address current shortfalls in DHHS' asset management.

2.2.3.3   Did agencies have an effective system for recording and identification of PA items?

To test the effectiveness of the system used to record and identify PA assets we sampled invoices for such items. Only one of the selected items (computer equipment) was located in any asset register. Unregistered items included a projector, a handheld computing device, a mobile phone and medical equipment.

As stated in Recommendation 4:

> We recommend implementation of registers to record PA items in all business units.

2.2.3.4   How was the location of PA items controlled?

At DHHS only the IT section complied with TI 304. Apart from IT equipment, DHHS had not registered PA items for physical control purposes, although registration at a divisional level was required by the finance manual.

However, we noted that an agency–wide asset management review project was in progress at the time of the audit, which is intended to address these concerns.

2.2.4 DED

2.2.4.1 Did agencies have guidelines to define PA items?

Guidelines to define PA items were provided in a DED document entitled *Procedures Asset Management*. Sections included:

- numerous examples of minor assets and attractive items

- recording exemptions on minor assets and PA items including microwave ovens, refrigerators and bicycles.

In our view, it would be expedient to define a minimum threshold below which items are not required to be recorded. As stated in Recommendation 3:

> We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

2.2.4.2 Did agencies have a register for PA items?

As stated in section 2.1.4, DED had an asset management policy and across the department there were five minor asset registers.

2.2.4.3 Did agencies have an effective system for recording and identification of PA items?

DED asset management procedures detailed the responsibilities and processes required to identify, record and stocktake minor assets including PA items.

To test the effectiveness of the recording system, we sampled invoices from a list of creditors' transactions. Records of PA items listed on the invoices were incompletely identified in DED minor asset registers. Examples were:

- The mobile phone register did not provide sufficient identification details to locate specific phones.

- Three items of IT equipment could not be found in the IT register.

- A projector and a fax machine could not be found in the Facilities Minor Asset Register.

The test results suggested that the current system of identifying PA items on acquisition or payment is not fully effective.

Recommendation 6 (DED)

We recommend the agency consider identification of PA items and inclusion in registers during the requisition process, with identification and other information to be added during payment processing.

2.2.4.4 How was the location of PA items controlled?

A barcode was allocated and attached to the relevant asset for identification purposes, in order to facilitate control over movement and disposal of PA items.

The DED *Asset Management* policy required annual physical stocktakes of all asset registers including the minor asset registers. We were provided with evidence that divisions had performed a physical check of the location of barcoded items recorded in the minor asset registers.

2.2.5 DTAE

2.2.5.1 Did agencies have guidelines to define PA items?

DTAE did have some policies and procedural documents available on its intranet but the documents did not include a definition of PA items.

We noted that DTAE had recently completed an internal audit of its asset recording systems. The resulting report identified that DTAE had no formal policies in place to define what information was to be recorded in asset register systems. Management had responded positively to the report's recommendations and was able to show us a copy of a draft *Portable and Attractive Asset Policy* which included definitions of PA items.

As stated in Recommendation 3:

> We recommend that agencies define a minimum threshold for recognition of PA items to improve the practicability of recording and control.

2.2.5.2 Did agencies have a register for PA items?

DTAE did not have a register for recording PA items. The following divisions had general asset registers:

- Finance section
- Parks and Wildlife Services

47

- Tasmania Museum and Art Gallery

- IT.

However, they did not routinely record PA items, other than IT equipment, in these registers. We found that some of the asset registers at DTAE had not been updated in the nine months prior to the audit.

As stated in Recommendation 4:

> We recommend implementation of registers to record PA items in all business units.

2.2.5.3 Did agencies have an effective system for recording and identification of PA items?

As discussed in the section 2.2.5.1, a recent internal audit report completed in March 2007 had been critical of information recording and had recommended implementation of formal policies and procedures to improve asset management and recording systems. The key issues that DTAE management had agreed to address included:

- implementation of the Finance One asset register module

- implementation of an Attractive Items Register, as part of the asset register, to enable compliance with TI 304.

To test the effectiveness of the system used to record and identify PA items, we sampled invoices but were unable to trace most of the purchases to asset registers. Items not registered included digital cameras, tents, wind meters, chainsaws and a generator.

Recommendation 7 (DTAE)

We recommend implementation of all of the internal auditor's recommendations. We further recommend a subsequent follow-up review by the internal auditor to verify system integrity.

2.2.5.4 How was the location of PA items controlled?

DTAE used sophisticated techniques to maintain control over location of assets, including museum collections and other financial assets. However, as previously noted, PA items were not routinely recorded, other than IT equipment.

Consequently, DTAE did not have an effective system to control the physical location of the majority of PA items and we found that even IT equipment was not subject to routine stocktake.

2.2.6   Conclusion

Generally we found each agency had effective registration and control over IT assets but that other PA items were not as reliably recorded in any agency other than HP.

HP, DED and DoE provided guidelines and registers to define and record PA items. These agencies also provided evidence of asset control using regular stocktakes.

DHHS and DTAE did not provide guidelines or registers to record PA items. We noted that both agencies had projects underway to improve minor asset management that included implementing registers to record PA items.

Testing demonstrated that only the system at HP had provided effective recording and identification of PA items, with numerous sampled items not located in the registers of the other agencies.

2.3   Disposal

We reviewed the policies and procedures agencies had in place to manage the disposal of minor assets. Public sector agencies procure, use and dispose of an assortment of minor assets including PA items. In our view, good controls over disposal have the potential to discourage theft, fraud and misconduct and to contribute to a culture of honesty and integrity.

Relevant TIs are:

- TI 1301 — directs agencies to attempt to achieve the best return to the government.

- TI 1302 — outlines some disposal processes for items with an estimated value of $10 000 or less.

- TI 1305 — requires agencies to offer surplus personal computers to the DoE for use in schools.

This section of the audit focused on the following criteria:

- existence of clear disposal policies

- recording of disposals, including the date and method of disposal

- offering of personal computers to DoE.

2.3.1   Existence of clear disposal policies

We were looking for information in the finance manual that expanded on TI 1302.

We found that all agencies other than DTAE had specified delegations for authorisation of disposals.

We also found that both HP and DoE procedures referenced the relevant TIs and provided reasonable detail of the disposal processes and methods to be adopted.

Both DHHS and DED referred to the TIs but had not translated the instructions into agency-specific activities and DTAE's guidelines included no instructions on the disposal of minor assets.

Recommendation 8 (DHHS, DED, DTAE)

We recommend that agencies include in their internal policies or guidelines, specific disposal processes and methods based on TI 1302 (requiring the Head of Agency to determine the disposal process for all items with an estimated disposal value of $10 000 or less).

2.3.2 Recording of disposals

We sought evidence at each of the agencies that disposals of PA items were recorded in the register and information enabling a reviewer to determine the date and method of disposal was accessible. Our review was necessarily limited to items recorded in registers of PA items and, as noted in section 2.2 and the following subsections, we found registration deficiencies at all of the tested agencies other than HP.

We found that HP and DED had satisfactory systems for recording disposals with asset status information and disposal dates recorded. Sufficient additional information was also available to provide a review of the disposal process, such as authorisation details, the methods used, and the outcome of disposals.

At DoE, we found status fields in the asset system were changed to indicate disposal, however, neither schools nor non-school business units recorded sufficient disposal details or provided references to where such information could be found, despite requirements in the *Disposal of Equipment Policy* that this be recorded.

Neither DHHS nor DTAE recorded details of minor asset disposals or references to where disposal information could be found.

Recommendation 9 (DoE, DHHS, DTAE)

We recommend that PA registers include status information to indicate disposal of an item, and additional information including authorisation, transaction references, date and methods of disposal be retained.

2.3.3   Offering of personal computers to DoE

TI 1305 required that agencies must first offer surplus personal computers to DoE for use in schools before adopting alternative methods of disposal. We found that all of the agencies complied with TI 1305.

However, we also noted that disposal of surplus computing equipment is increasingly expensive and difficult to organise. Schools reported having large numbers of bulky and unwanted computer monitors in school stores and that their investigations into disposal options had not produced an economical or environmentally sound method of disposal. One solution adopted by DTAE was to negotiate the eventual removal of unwanted computer equipment into the original supply contract.

2.3.4   Conclusion

HP and DED had satisfactory systems for recording disposals with asset status information and disposal dates recorded in registers. Sufficient additional information including authorisation, methods of disposal, and transaction references, were also available to enable review of the disposal process.

DoE had clear policies and registers and disclosed which items had been disposed of, but recording of disposal details was not reliable or consistent.

Neither DHHS nor DTAE recorded details of PA item disposals but both agencies advised that their asset management systems were under review at the time of the audit.

All agencies had fulfilled requirements to offer surplus computer equipment in working order to DoE for use in schools.
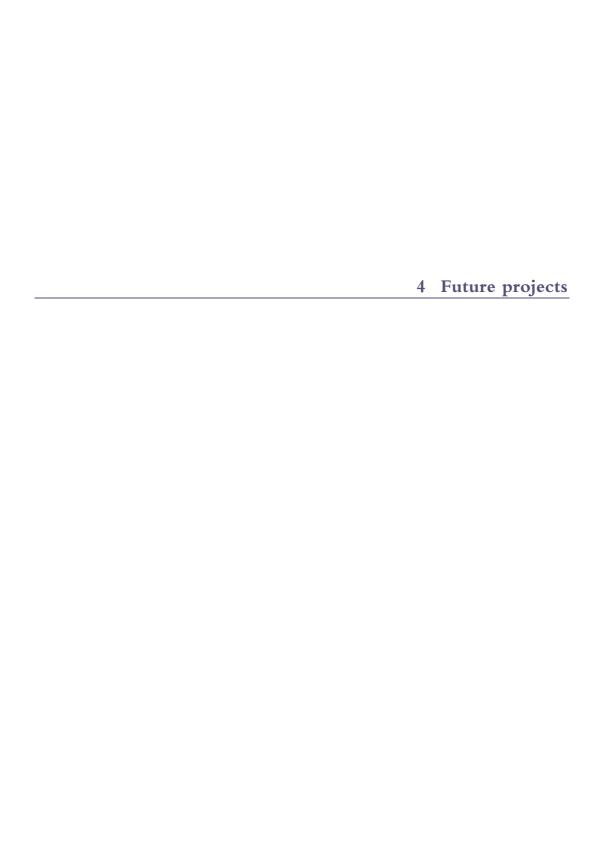
We noted that the disposal of defunct and obsolete computer equipment was increasingly expensive to organise.

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3   Recent reports

3 Recent reports

Year	Special Report No.	Title
2003	45	Business names and incorporated associations: What's in a name?
2003	46	Leave in government departments
2003	47	Public sector web sites
2003	48	Grants to the community sector
2003	49	Staff selection in government agencies
2003	50	Police response times
2004	–	Ex-gratia payment to the former Governor Mr R W Butler AC
2004	51	Special purpose and trust funds: Department of Health and Human Services
2004	52	Internal audit in the public sector
2005	53	Follow-up audits
2005	54	Compliance audits
2005	55	Gun control in Tasmania
2005	56	TT-Line: Governance review
2005	57	Public housing: Meeting the need?
2005	58	FBT, Payment of Accounts and Bridges
2006	59	Delegations in government agencies, Local government delegations and Overseas Travel
2006	60	Building Security and Contracts appointing Global Value Management
2006	61	Elective surgery in public hospitals
2006	62	Training and development
2006	63	Environmental management and pollution control act by local government
2006	64	Implementation of aspects of the *Build Act 2000*
2007	65	Management of an award breach and selected allowances and nurses' overtime
2007	66	Follow-up audits
2007	67	Corporate credit cards
2007	68	Risdon Prison: Business case
2007	69	Public building security
2007	70	Procurement in government departments and Payment of accounts by government departments

4 Future projects

4 Future projects

Performance and compliance audits that the Auditor-General is currently conducting:

Court waiting times

The objective of this audit is to examine the efficiency and effectiveness of the management of court waiting times within the judicial process in Tasmania.

Endangered species/biodiversity

Examines measures in place to protect native species and biodiversity in Tasmania.

Key performance indicators

To assess whether current key performance indicators are relevant and appropriate measures of effectiveness and efficiency of government performance as reflected in agencies' annual reports.

Follow-up of previous performance audits

Examines the degree of implementation of recommendations in selected performance audits tabled in 2005:

No 54: Compliance audits — Infrastructure funds

No 55: Gun Control in Tasmania

No 56: TT-Line: Governance Review

No 57: Public Housing: Meeting the Need?

No 58: Managing Fringe Benefits Tax liabilities

Ditto: Asset management: Bridges

5   Appendices

Appendix 1: Summary of property legislation

Below is a list of the main pieces of legislation which govern the storage and disposal of property in police possession and the areas that they cover.

Act	Includes:
Traffic Act 1925	Disposal of seized skateboards
Police Offences Act 1935	Confiscation and storage of cars for anti–social driving Storage and disposal of miscellaneous and found property Disposal of dangerous articles, cross bows, liquor
Justice Act 1959	Disposal of seized property
Living Marine Resources Management Act 1995	Storage and disposal of marine property including vessels, fishing equipment and seized fish
Firearms Act 1996	Storage and disposal of seized firearms
Vehicle and Traffic Act 1999	Storage of seized vehicles
Traffic (Road Rules) Regulations 1999	Storage and disposal of seized and abandoned vehicles
Misuse of Drugs Act 2001	Destruction of drug exhibits
Family Violence Act 2004	Disposal of weapons seized under the Act

Appendix 2: Examples of portable and attractive items

Listed below are some examples of PA items that we expected to find recorded in registers for purposes of control.

Class	Sub types	Specifics
Furniture and fittings	Sofas	Leather lounges, modular lounges (exec suites, reception areas etc.)
	Tables	Coffee tables, side tables, layoff tables, antique desks
	Dividers	Folding screens, room dividers, screens
	Artworks and framed items	Paintings, photos, pictures, historic documents
	Mounted items	Trophies, cups, prizes, awards, displayed examples, relics
	Catering and amenity items	Refrigerators, stoves, microwave ovens, urns, dishwashers, vacuum cleaners
	Electronic equipment	TV, video, hi–fi
Optical	Anything with lenses — purely optical or with electronics	Cameras, binoculars, telescopes
		Microscopes
Tools	Non–powered, mechanical	Ladders, wheelbarrows, hoists, conveyors, vices, presses, welders
	Electrically operated	Saws, drills, grinders, routers, sanders, polishers, driers, pumps
	Engine driven	Pumps, saws, mowers, trimmers, generators, compressor
Test equipment	Meters, surveying gear, scales, balances, counters, temperature calibrators, analysers	
Portable lighting	Floodlights, spotlights	
Laboratory equipment	In these groups, anything that is not a fitting.	
Medical equipment		First aid kits
Display equipment	Shelving, cabinets, etc used for temporary displays/exhibitions	