

Surrey Arts – Summary Internal Audit Findings and Recommendations

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Arts	<p>In August 2013 Surrey Arts consolidated its operations at a new facility in Guildford. The move has allowed it to bring together in one location its extensive holding of musical instruments and costumes, which represent an important revenue stream.</p> <p>In order to identify both areas of good practice, opportunities for improvement, and maximise the potential benefits of being located in a new facility, the Head of Cultural Services asked Internal Audit to review asset management.</p>	<p>Recent acquisitions of instruments have been funded through a grant from central government to support national initiatives promoting music lessons in schools. Changes to these initiatives, however, has created a misalignment between stock holding and demand from hiring schools.</p> <p>The Service does not have an articulated approach to generating revenue from the hire of instruments.</p> <p>Records of stock are at present incomplete, though the introduction of a new music tuition management system offers the opportunity to create a comprehensive database.</p> <p>Schools and individuals who hire instruments are required to sign an agreement which stipulates that they are responsible for loss or damage while it is in their possession. The auditor could not locate five signed agreements from a sample of 31 documents (16%).</p> <p>The Service does not have an asset disposal policy.</p>	Significant Improvement Needed	<p>Surrey Arts should consider creating an asset management strategy which effectively joins up all activities related to the acquisition, monitoring, maintenance and disposal of its musical instrument stock. (H)</p> <p>Surrey Arts should consider creating an articulated income strategy which details future plans for using its assets to generate revenue. (H)</p> <p>Surrey Arts should strongly consider prioritising the creation of a comprehensive database of its instrument stock. (H)</p> <p>The Service should review its records management arrangements to ensure that all signed hire agreements are safely kept until the instrument is returned. (M)</p> <p>Surrey Arts should consider articulating an asset disposal policy which details how value from unwanted instruments can be reclaimed. (M)</p>

¹ **Audit Opinions**

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Significant Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

² **Audit Recommendations**

Priority High (H) - major control weakness requiring immediate implementation of recommendation
Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources
Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control