



MINISTRY OF DEFENCE

# DIA Audit Report Asset Accounting Centre

Field Textiles Ltd

3006/11482/11

Group Head of Internal Audit – [REDACTED]

12<sup>th</sup> December 2011

Assistant Head: [REDACTED]

Team Leader/  
Lead Auditor: [REDACTED]

Date of Fieldwork: 21 November 2011

Distribution: [REDACTED]  
[REDACTED]

[REDACTED]

DES DSA-Hd

[REDACTED]

[REDACTED]

in fibre RM

4 DSA-12

0101-1200

in fibre RM

4 DSA-12

0101-1200

in fibre RM

4 DSA-12

0101-1200

in fibre RM

4 DSA-12

0101-1200

in fibre RM



## **CONTENTS**

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>1. INTRODUCTION .....</b>	<b>1</b>
<b>2. AUDIT CONCLUSION.....</b>	<b>1</b>
<b>3. KEY FINDINGS .....</b>	<b>1</b>

## **APPENDICES**

<b>APPENDIX A – AUDIT REMIT .....</b>	<b>APP A-1</b>
<b>APPENDIX B -CATEGORISATION OF AUDIT OPINIONS AND FINDINGS.....</b>	<b>APP B-1</b>



# Executive Summary

## 1. Introduction

This report summarises the results of our audit of Field Textiles Ltd, which was included in the annual audit plan agreed with the PUS and the Audit Committee. Our audit work is designed to provide the PUS and Audit Committee with an independent and objective opinion on the adequacy and effectiveness of controls in place.

The audit remit setting out the objectives and scope for this audit is attached at Appendix B and we report on an exception basis only. Our opinion and key findings are set out below and our detailed findings are attached at Appendix A. The definitions of our opinion and finding ratings are attached at Appendix C.

## 2. Audit Conclusion

It was found that Field Textiles Ltd, processes and procedures are robust, with all personnel fully adhering to the company's own procedures and the terms and conditions laid down in Marketing Agreement D/DS(MA)/518/12/11.

The dedication and commitment of all staff involved with Residual Assets is to be commended, the continual improvement with the processes and procedures which are in place is evident with Field Textiles Ltd achieving best practice.



Field Textiles Ltd, processes and procedures are robust, with all personnel fully adhering to the company's own procedures and the terms and conditions laid down in Marketing Agreement D/DS(MA)/518/12/11. Systems of internal control were found to be operating effectively. The company had also showed an excellent overall commitment to the governance of Residual Assets. This was demonstrated by their commitment for continual improvement in their processes and practices.

## 3. Key Findings

The process of accounting for and managing the control of Residual Assets issued to Field Textiles Ltd is exceptionally well managed, with detailed paperwork and a clear audit trail present.

## 4. Contractor Action

There is no contractor action required with regard to this report.

## 5. Project Team Action

There is no Project Team action required with regard to this report





MINISTRY OF DEFENCE

# **Defence Internal Audit**

**Asset Accounting Centre**

## **Audit Remit**

**Field Textiles Ltd  
Basildon Essex**

**Entity Owner(s): Disposal Services Authority  
Head**

**Date: 4 August 2011**

**Audit Reference: 3006/11482/11**



## 1. Introduction

Defence Internal Audit (Asset Accounting Centre) (DIA(AAC)) is responsible for conducting an objective and independent appraisal of MOD and its Contractors system of risk management, governance and internal control, reporting to PUS and Defence Audit Committee (DAC) in relation to Government Furnished Residual Assets held at industry in accordance to Defence Conditions and Standards. This provides them with an assurance on the adequacy and effectiveness of controls and the management of risks. It is not an extension of, nor substitute for, good management, although it can have a role in advising management.

This audit is included in our FY11/12 audit plan which was approved by the DAC and PUS.

## 2. Audit Objective

Government Furnished Residual Assets

To provide an audit assurance to Disposal Services Authority on the control and safeguarding of Government Furnished Residual Assets held by Field Textiles Ltd, Basildon, are held under the terms of the relevant MOD contract.

## 3. Audit Scope

Our audit scope will assess the adequacy and effectiveness of controls over the following areas. Our work shall not be restricted to only these areas and our testing may concentrate on other areas and risks identified during the audit that are not included here.

No.	Description
	Manage MOD Residual Assets in accordance with MA D/DS(MA)/518/12/11
a.	Policies and Procedures
b.	Company's own Audit Validation
c.	Receipt
d.	Stock Management
e.	Stocktaking
f.	Sales
g.	Disposal/scrap

## 4. Audit Approach

Using a risk based approach we will conduct our work with due professional care in accordance with the DIA Standards and professional auditing practice. These standards require that we plan and perform the audit to obtain reasonable assurance that the controls are working as planned and can be relied upon. We will review files, records and other forms of evidence, both manual and electronic and conduct interviews, when necessary, with relevant staff on a sample basis.

In forming our opinion on the effectiveness of controls in the area under review, we will perform sufficient tests to obtain reasonable assurance as to whether controls can be relied upon and are working effectively and as designed.



## 5. Responsibilities of Contractor

The responsibility for the system of control and risk management associated with Government Furnished Residual Assets rests with the Contractor. We expect to have access to relevant personnel, files, records, information and assets which will be necessary to perform our work and form an opinion in accordance to Defence standards and conditions. We will take contractor's agreement with the audit plan and schedule as its commitment to ensure that all staff and resources needed for the audit will be made available during the audit. Any delay in meeting the requirements of the audit will cause delay in the audit process and cannot be attributed to us.

## 6. Responsibilities of Owning/Issuing Business Unit

The report will be issued to the owning/issuing business unit (copied to the contractor) whom will be responsible for ensuring the contractor responds to the findings, as detailed in the "Detailed Findings and Agreed Contractor Action Plan". The business unit are then to notify the audit Team Leader as to the contractor's progress.

## 7. Plan of Work

The proposed timetable of event is:

What	When
Notification of Audit	14 July 2011
Audit Planning	3 August 2011
Start of Fieldwork	21 November 2011
Completion of Fieldwork/Closing Conference	25 November 2011
Report Issued	9 December 2011
Response to Final Audit Report	6 Weeks After Issue

## 8. Audit Team

The audit team consists of:

Team Leader: [REDACTED]



## **9. Contract Data**


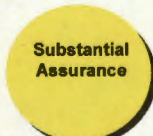


Contract Number: D/DS(MA)/518/12/11  
Contract Title: Marketing Agreement (MA) for the disposal of surplus clothing & textiles (including tentage and camping equipment)  
Contractor Name: Field Textiles Ltd  
Business unit: Disposal Services Authority  
Contract start date: 27<sup>th</sup> April 2001  
Contract end date: Extended to 27<sup>th</sup> December 2011



## Categorisation of Audit Opinions and Findings

### Audit Conclusion

The overall conclusion should be stated in the form of assurance being provided using the following assurance levels:

Assurance Level	Generic Description
	System of internal control established and found to be operating effectively.
	System of internal control established and found to be working effectively with some minor weakness.
	System of internal control operating effectively except for some areas where significant weaknesses have been identified.
	System of internal control poorly developed or non-existent, or major levels of non-compliance identified.

### Audit Findings: Definitions of Priorities

- High** Critical control weaknesses that result in serious risks and/or an unacceptable level of risk to the delivery of key objectives.
- Medium** Control weaknesses that carry a risk of undesirable effects in loss, exposure, poor value for money or missed business opportunities and benefits.
- Low** Minor control weaknesses and/or areas that would benefit from the introduction of improved working practices.