



MINISTRY OF DEFENCE

# **JSP 886 DEFENCE LOGISTICS SUPPORT CHAIN MANUAL**

## **VOLUME 4 MATERIEL ACCOUNTING**

### **PART 203 MANAGERIAL EXAMINATION, AUDIT AND LOSSES OF MATERIEL IN LAND UNITS**

**THE MASTER VERSION OF JSP 886 IS PUBLISHED ON  
THE DEFENCE INTRANET.**

**FOR TECHNICAL REASONS, EXTERNAL LINKS ON THIS  
INTERNET VERSION HAVE BEEN REMOVED.**

VERSION RECORD		
Version Number	Version Date	Description
1.00	15/03/08	Original
1.1	15/09/10	See <a href="#">Foreword</a>
1.2	11/01/11	Amendment to <a href="#">Section 2 Page 7</a>
1.3	23/03/12	Reformat and amendment to <a href="#">Ownership and Points of Contact</a>

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## CHAPTER 0: FOREWORD

1. The contents of this document are being absorbed into the main JSP 886: Defence Logistic Support Chain Manual or replaced by other MOD documents as part of a rolling programme. The current status of this document and a guide to where content has been moved to is at Table 1.

**Table 1: Status of Sections**

Original Element	Action
Section 1 - Introduction	Chapter 1 to this document
Scope	
Terminology	
The Purpose of Audit	
Materiel Losses And Write-Offs	
Section 2 - Managerial Examination Of Accounts	Chapter 2 to this document
Supersession Of Stocktaking Procedures	
Managerial Examination And Board Of Officers	<a href="#">Revised 11 Jan 11</a>
Handover And Takeover Of Accounts	
Section 3 - Materiel Losses	JSP 886 Volume 4 Part 6: Losses
Introduction	
Investigation And Reporting of Losses	
Financial Recoveries - Valuation And Procedures	
Write - Off Valuation And Procedures	
Record Of Losses	
Other Losses	
Annex A: B, C, P And R Vehicles - Valuation Table For Write-Off	
Annex B - Losses Register	
Section 4 - Audit	Chapter 3 to this document
Introduction	
Action On Unit Moves	
Annex A - Accounts Covered by this Pamphlet	

## OWNERSHIP AND POINTS OF CONTACT

2. The policy, processes and procedures described in the Defence Logistics Support Chain Manual (JSP 886) is owned by Director Joint Support Chain (D-JSC). Head Supply Chain Management (SCM-Hd) is responsible for the management of JSC policy on behalf of D JSC.

3. This instruction is sponsored by DES JSC SCM (Pol Dev) who should be approached in case of technical enquiries about the content:

DES JSC SCM-SCPol-MatAcctg1  
 Cedar 1a, #3139, MOD Abbey Wood, BRISTOL BS34 8JH  
 Tel: Mil: 9679 81441, Civ: 030679 81441  
 Email: [DES JSC SCM-SCPol-MatAcctg1](mailto:DES JSC SCM-SCPol-MatAcctg1)

4. Enquiries concerning the accessibility and presentation of this instruction should be addressed to:

DES JSC SCM-SCPol Editorial Team  
 Cedar 1a, #3139, MOD Abbey Wood, BRISTOL BS34 8JH  
 Tel: Mil: 9679 80954, Civ: 030679 80954  
 Email: [DESSCM-PolComp-JSP886@mod.uk](mailto:DESSCM-PolComp-JSP886@mod.uk)

## **CHAPTER 1: INTRODUCTION**

### **SCOPE**

1. The regulations contained in this pamphlet apply to all units of the Regular Army and TA and are divided into the following sections:
  - a. Section 1 - Introduction.
  - b. Section 2 - Managerial Examination of Accounts.
  - c. Section 4 - Audit.

### **TERMINOLOGY**

2. **‘Stocktaking’**. Stocktaking is the physical counting, measuring or weighing of materiel held for comparison with appropriate accounting records. (For stocktaking procedures go to [JSP 886 Volume 4 Part 2](#)).
3. **‘Audit’**. Audit is the formal procedure that has been established to satisfy Commands, the Accounting Officer (PUS) and Parliament that adequate systems of control exist and are being complied with.
4. **‘Audit Trail’**. Any accounting transaction must be capable of being traced from its inception to final acquittal and/or consumption through all stages of accounting and transit. This means recording and retaining records for inspection as required by Boards of Officers, DIA and NAO.
5. **‘Loss’**. Loss covers any action which results in financial loss to the Crown and for which Parliament has not made financial provision in advance. The most significant of these actions are culpable negligence and criminal activity.
6. **‘Write-off’**. Write-off is a formal authorisation to remove materiel and its value, or cash from charge.

### **THE PURPOSE OF AUDIT**

7. In order to satisfy the requirements at Paragraph 3 there are three main checks:
  - a. Inspections conducted by Officers concerned with the management of the task.
  - b. Internal Audit conducted by Director Defence Internal Audit.
  - c. Audit conducted by the National Audit Office (NAO).
8. The Comptroller and Auditor General (Head of National Audit Office) and the Public Accounts Committee oversee, on behalf of Parliament, the way in which Government Departments spend and account for the money which has been allocated to them.
9. The Accounting Officer (PUS) is responsible for ensuring that objective reviews of the systems of control established within his organisation are carried out. Like the formation of accounting procedures this is not a task he could carry out himself. To achieve this objective, he employs an Internal Audit Organisation. Within the Ministry of Defence (Army), this organisation is headed by Assistant Director of Internal Audit (Army).

10. The manual 'Government Accounting' points out that the accuracy of accounts is the responsibility of the account holder, e.g. the CO/OC unit, and that he should arrange for checking to be carried out by himself and his staff to the extent he considers necessary, the account holder should disregard the extent of any verification undertaken by Internal Audit. It follows that all members of the staff of the account holder, however junior they may be, are responsible for ensuring that accounting action is correctly carried out.

### **MATERIEL LOSSES AND WRITE-OFFS**

11. Losses of all types of stores are regarded with concern because they represent a failure to control and use the stores supplied for their intended purpose. They may indicate weaknesses in management and supervision as well as in procedures for security/handling /storage and accounting. Government Accounting regulations require losses to be fully investigated to identify any causative fault or error and to ensure that recurrence is prevented or minimised as far as possible.

12. 'Management Strategy' JSP 414 explains how defence is managed and lays down instructions on how management and financial procedures are to be carried out. It states that as far as possible, the accountability for a loss rests with the Account Officer who is managerially responsible and who in turn, delegates to the managers or Service Commanding Officers who are in a position to prevent recurrence of any causative fault or error. In the event of proof of negligence or other misdemeanour, they allow for those responsible to bear all or part of the cost of the loss.

13. Write-off is the final stage of consideration of a loss and the total value of all losses written off has to be specially noted in the MOD Appropriation Account. The procedure is designed to ensure that the Accounting Officers are enabled to seek discharge of their personal responsibilities for these matters by signing and submitting the Accounts, which are made up from TLB Annual Certificates of Materiel Losses.

## **CHAPTER 2: MANAGERIAL EXAMINATION OF ACCOUNTS**

### **SUPERSESION OF STOCKTAKING PROCEDURES**

1. Stocktaking procedures previously described in this section have been superseded and are now to be carried out in accordance with JSP 886 [JSP 886 Volume 4 Part 2](#): Defence Stocktaking Policy.

### **MANAGEMENT SNAPCHECKS**

2. Regular random stock checks by an independent officer are to be made of those items considered to pose risk either because they are valuable or attractive, operationally critical or subject to checks on security grounds. The frequency and number of items to be checked in this way are to be decided by management. The results of these checks are to be maintained in a separate written record (ie in a file or SO Book) which is to be made available to COs/OCs, visiting officers and Defence Auditors. The record is to refer to this paragraph and is to include dates of checks, items examined, results, action taken, additional comments and signatures of officers carrying out the checks.

### **MANAGERIAL EXAMINATION AND BOARD OF OFFICERS**

3. The term “Managerial Examination” means a check of a materiel account for completeness and accuracy by officers other than either the QM or the officer immediately supervising the account and stores. This examination will consist of a Board of Officers comprised of two officers. If two officers cannot be made available, one member may be a Warrant Officer. The results of the Board are to be recorded on AF B6535: Certificate of Stocktaking and Managerial Examination of the ..... Account. The following procedures are to be followed:

a. A Managerial Examination is to be carried out biennially for items categorised either P or L class, ensuring a reasonable spread of examination over the whole accounting period. The extent of the examination is at the discretion of the CO/OC unit, who is required to state on an AF B6535 the percentage of vouchers that are to be examined. For example, the CO/OC may order a 20% minimum check of account vouchers during the 2 year period for a large, complex account, or up to 100% in the case of small accounts.

b. The results of the examination are to be reported on AF B6535. The AF B6535 is to be supported by photocopies of all periodic Stocktaking Reports produced during the 2 year period in accordance with [JSP 886 Volume 4 Part 2](#).

c. The percentage accuracy figure at Part 1 of the AF B6535 is to be based on the calculation of Discrepancy Error Rates (DER) in the above reference. In the case of fixed period accounts, the biennial Managerial Examination is to take account of the accuracy of the monthly stock checks required for such accounts.

d. Accounting anomalies noted during the Managerial Examination that are not related to Stocktaking are to be subject to a separate report, which is also to be attached to the AF B6535.

e. Following the Managerial Examination, the independent checking officer is to provide an AF B6535 for each materiel account examined, which is to show:

(1) That the stocktaking programme relating to each account is being carried out in accordance with [JSP 886 Volume 4 Part 2](#) of these regulations. In this context, checking officers should bear in mind that, whilst the Managerial Examination is biennial, the complete stocktaking programme is quadrennial.

(2) That the DER for each account is within acceptable tolerances. Where necessary, this should be detailed in the separate report required by paragraph 3b above.

(3) That, notwithstanding stocktaking, the account is being operated in accordance with current regulations.

f. The CO/OC is to examine the AF B6535 and if necessary direct further investigation into the findings. Once the CO/OC is content that the findings on the AF B6535 represent an accurate record of the Board of Officers the CO/OC is to complete Part 4 of the AF B6535. The signed AF B6535 together with the original copies of the surplus and deficiency lists are to be retained in unit records.

### **Adjustment of Accounts**

4. Duplicate copies of the surplus and deficiency lists are to be used as Certificate Receipt or Issue Vouchers (CRV/CIV) respectively and posted to the account. Deficiencies identified during the Board of Officers' procedures are to be dealt with in accordance with the process contained in JSP 886 Volume 4 Part 6: Losses, except for those relating to Defence Accommodation Stores (DAS) which are to be treated in accordance with Paragraph 9 below.

## **HANDOVER AND TAKEOVER OF ACCOUNTS**

### **Transfer of Responsibility**

5. On change of command or change of quartermaster, the transfer of responsibility for materiel is to be formally ratified by the completion of a handover/takeover certificate. The completion of the certificate is an acknowledgement by the incoming officer that he accepts responsibility for the unit accounts which he is taking over. The format of the certificate will vary with circumstances but is to include brief details of any major outstanding matters.

### **Change of Command**

6. It may be impracticable for an officer, prior to assuming command, to carry out a full investigation into all stores matters for which he is to assume responsibility. He is, however, to satisfy himself as far as possible on details of any outstanding discrepancies of materiel, and the following points:

- a. Materiel in stock and in use is properly stored and protected against theft, misappropriation, fire, deterioration and misuse, and that the accounting records are being kept in accordance with regulations and are up to date.
- b. Unit administration, security measures and arrangements for delegated responsibility, accommodation, keys and key registers etc afford adequate protection of all Government property in the unit.



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- c. Special security arrangements for attractive items and security classified materiel are in accordance with current regulations.
- d. The handover certificate from the outgoing CO/OC is to include statements to the following effect:
  - (1) Stocktaking has been carried out in accordance with [JSP 886 Volume 4 Part 2](#) of these regulations and that, after adjustment of discrepancies; he is satisfied with the accuracy of the stock record balances.
  - (2) He is satisfied that the stores accounting records are being kept in accordance with current regulations.
  - (3) Managerial Examination of accounts has been carried out in accordance with Paragraph 3 above.
- e. The handover/takeover certificate (in duplicate) will be signed by both the outgoing and incoming officers. If the incoming officer is not satisfied with any aspect he is to record details in an annexe to the certificate, which is then to be either resolved or referred to the next higher authority. The original copy of the certificate is given to the outgoing officer and a duplicate copy held in unit records.

### Change of QM

7. When a QM takes over from another who has been immediately responsible for the custody of materiel and/or stores accounting records, the incoming officer is to carry out the following checks and inspections appropriate to his duties:
- a. Satisfy himself that the condition of storage buildings, the general arrangements for storage and binning and protection against theft, misappropriation, fire, deterioration and misuse are satisfactory, and that adequate arrangements exist for safeguarding attractive items and materiel with a security classification.
  - b. Inspect records of the previous stocktaking, satisfying himself as to the accuracy of stock record balances. He is also to check holdings of weapons, ammunition, accountable forms/books and classified equipment, and a selected number of other items.
  - c. Inspect the stores accounting records and satisfy himself that they are being kept correctly and are up to date, or that adequate action to clear any outstanding vouchers is in hand.
  - d. Examine all voucher registers to satisfy himself that they are being kept correctly and are up to date and that all necessary adjustments have been made.
  - e. Examine registers and files concerning any outstanding discrepancy reports, claims against carriers, or other queries, and acquaint himself with the circumstances and progress of each case.
  - f. Examine all observations raised on the last audit and supply staff inspection, and ascertain the position in respect of outstanding supply observations.
  - g. The takeover certificate signed by the incoming QM is to include statements to the following effect:



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(1) Responsibility is assumed for the materiel in store and that, so far as he has been able to ascertain, the stock is correct.

(2) The stores accounting records have been examined, and are not in arrears, and that he assumes responsibility for the records.

h. If the incoming QM is not satisfied with any aspect, he is to record details in an annexe to the certificate. The original copy of the certificate is to be given to the outgoing officer, and the duplicate to the CO/OC for retention in unit records once all outstanding matters have been resolved.

### **Accounting Code C Items**

8. Consumable and expense items are not required to be formally stock-checked. QMs are, however, to satisfy themselves that holdings are in accordance with either entitlement or usage and excessive stocks are not held.

### **Accommodation Stores in Unit Accommodation**

9. Accommodation stores codified as follows in JSP 307 Part 1 are subject to a stock check once every 2 years:

a. Code P items -100% of holdings.

b. Code L items - 50% of holdings.

c. When a change of CO/OC or QM takes place within the biennial stocktaking period, the handover takeover procedure in Paragraphs 5 or 6 will apply.

d. On handover of barracks or camps between units, a handover stocktaking board is to be convened by the CO/OC of the outgoing unit. The incoming unit is to be represented on this board and discrepancies between units are to be resolved by the OC ASU. AF B6535, signed by the CO/OC of the outgoing unit and the OC ASU. The AF G8183 (Handover/Takeover Inspection Report Accommodation Services) is also to be completed and signed where appropriate.

e. Deficiencies discovered during inventory checks of accommodation stores are to be subject to normal recovery or write off procedures. Any adjusting voucher action for items reported deficient or surplus during inventory checks is to be taken by the supporting OC ASU.

10. Stock checks are to be co-ordinated with the OC Accommodation Services Unit (ASU) who is to ensure that the unit inventories (AB 531/533) are fully up to date and completely posted at the effective date. The OC ASU is to record and sign the AF B6535 at Part 2 after reconciliation had been completed.

### **Exercise and Camp Accounts**

11. Exercise and camp accounts are not subject to formal stocktaking. The CO/OC is to ensure that the accounts are accurate and complete, prior to audit inspection.

## CHAPTER 3: AUDIT

### INTRODUCTION

### AUDIT INSPECTION

1. All holdings of public materiel (and account records relating to them) are subject to audit inspection by staff of the Director General Management and Organisation (DGMO). In practice this will be by the staff of the Director of Defence Internal Audit (DIA).
2. Accounts are also open to inspection by representatives of the Comptroller and Auditor General (National Audit Office) who reports independently to Parliament on the state of accounting.

### Conduct of the Audit

3. Audit carried out by the DIA is an independent examination and appraisal of accounting, financial and control procedures. Strengths and weaknesses revealed during the course of audit are discussed with unit officers by the auditor where possible. Observations arising from the audit, including advice or remedial action where needed, are, when necessary, communicated afterwards in writing. Such observations are to be answered, or an interim reply given, within one month. Replies are to be signed by the CO/OC. Units should arrange separate office accommodation for the auditors, and for management procedures and relevant data to be made available to them on request.

### Account Records

4. The accounts subject to audit are listed at Figure 2. All accounts, including vouchers and other supporting documents, whether described in Annex A as continuous or fixed period accounts, are to be retained by units for audit in situ, in accordance with JSP 886 [Volume 4](#) Part 1 Annex C: Retention of Materiel Accounting Records and Documentation.

**Table 2: Account subject to Audit**

Type of Account	Period of Account	Voucher Series to run (SeeNote)
<b>1. Continuous</b> <ol style="list-style-type: none"> <li>a. Expense Store Account</li> <li>b. Equipment Table Account</li> <li>c. Miscellaneous Stores Account</li> <li>d. Unit Spares Account</li> <li>e. Ammunition Account</li> <li>f. Clothing Account</li> <li>g. F&amp;L Account</li> <li>h. Accommodation Stores on inventory charge</li> </ol>	Continuous	Biennially
<b>2. Fixed Period</b> <ol style="list-style-type: none"> <li>a. Rations</li> <li>b. Fuel and Light</li> <li>c. Animal and animal rations</li> <li>d. Dog strength and rations</li> </ol>	1 Month	Monthly
<b>3. Miscellaneous</b> <ol style="list-style-type: none"> <li>a. Exercise accounts</li> <li>b. Camp accounts</li> </ol>	As directed	As directed
<b>Note:</b> Voucher serial numbers are to start at 0001 for the next accounting period. When it is necessary to indicate the type of transaction the voucher number is to be prefixed IV, RV, or TV, as appropriate; no other letters or numbers should be added.		

**ACTION ON UNIT MOVES**

5. When a unit is moving from one location to another, action is to be taken as follows:
- a. **Units moving complete with equipment or the bulk of equipment.** The date of the move and the new location are to be notified to DIA as soon as firm details are known. The accounts are to remain open and all ledgers and supporting documents (including those awaiting disposal under the terms of [JSP 886 Volume 4 Part 1](#) Annex C) are to accompany the unit to the new location.
  - b. **Units moving and handing over equipment or the bulk of equipment to an incoming unit.** In normal circumstances accounts are to remain open and are taken over by the incoming unit. The following action is to be taken:
    - (1) DIA is to be notified as soon as a firm date for the move is known.
    - (2) The handover of the account is to be regarded as a change of accountant and a handover/takeover board of stocktaking and managerial examination of accounts is to be assembled. The incoming unit is to be represented on this board and its representative is to countersign the AF B6535. The outgoing unit is to be responsible for the clearance of any discrepancies revealed.
    - (3) All vouchers and supporting documents for continuous accounts handed over are to be retained by the incoming unit for eventual disposal in accordance with Annex B. The incoming unit is to commence a new series of vouchers for the accounts taken over.
  - c. **Units moving and backloading all equipments.** Action is to be taken in accordance with [JSP 886 Volume 4 Part 5](#).
  - d. **Items purchased from Division/District Funds.** When a unit moves into another Division/District area, the items are to be handed over to the incoming unit. If there is no incoming unit, disposal instructions are to be requested from the HQ which purchased the items.