

THE DEFENCE LOGISTICS SUPPORT CHAIN MANUAL JSP 886

Volume 4 MATERIEL ACCOUNTING

Part 5 POLICY FOR MATERIEL ACCOUNTING ASPECTS OF THE FORMATION, CLOSURE AND TRANSFER OF MOD ACCOUNTING UNITS

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AMENDMENT RECORD		
Amendment Number	Amendment Date	Details of Amendment

SECTION 1 - INTRODUCTION TO POLICY FOR MATERIEL ACCOUNTING ASPECTS OF THE FORMATION, CLOSURE AND TRANSFER OF MOD ACCOUNTING UNITS

PURPOSE

1. The purpose of this instruction is to:
 - a. Describe the responsibilities of the logistics chain of command and unit commanders when a MOD Accounting Unit is formed, closed or its accounting and ownership responsibilities are transferred to another MOD Accounting Unit.
 - b. Ensure that the MOD Accounting Unit formation, closure and transfer processes are common across the MOD.
 - c. Ensure that accountable and traceable audit trails are established and maintained.
2. This document has been produced as a result of DIA recommendations and provides guidelines in respect of all aspects of the Formation, Transfer or Closure of MOD Accounting Units. It takes due account of Government Accounting Policy. Whilst it is acknowledged that this policy is generic and may cross organisational boundaries within units, it remains incumbent on the Unit Commander and appropriate Chain of Command that all elements of the policy are met.

POINT OF CONTACT

3. Assistant Director Supply Chain Support (Stock Management) (AD SCS (Stock Man)) is responsible for formulating policy on Materiel Accounting which is subject to ratification by the Joint Supply Chain Committee (JSCC).
4. Enquiries concerning the content of this instruction should, in the first instance, be addressed to:

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GLOSSARY OF DEFENCE LOGISTICS SUPPORT CHAIN TERMS AND DEFINITIONS

5. Defence Logistics Support Chain terms and definitions are included in the Glossary and printed in *italics*.

LINKED PUBLICATIONS

7. The following publications are linked to this instruction:

JSP 336 Volume 11 Part 3.

JSP 336 Volume 11 Part 5.

JSP 336 Volume 12 Part 1 Pamphlet 5 Section 5 (superseded).

AP 830 Leaflet C12/1.

JSP 440 - Defence Manual of Security.

JSP 441 - Defence Records Management Manual.

JSP 462 - Financial Management Policy Manual.

JSP 472 - Resource Accounting Policy Manual.

SUPERSEDED PUBLICATIONS

8. None.

SECTION 2 - POLICY FOR MATERIEL ACCOUNTING ASPECTS OF THE FORMATION, CLOSURE AND TRANSFER OF MOD ACCOUNTING UNITS

RESPONSIBILITIES

1. **Front Line Commands.** Front Line Commands' (FLC) logistics staff are responsible for ensuring full compliance with this instruction and other relevant Materiel Accounting requirements promulgated in JSP 886. They are to monitor progress to ensure completion of the formation, closure or transfer of responsibility of a MOD Accounting Unit to an efficient, timely and accurate plan. They are also to provide the FLC focal point in the reporting chain.
2. **Head of Unit/Unit Commanders.** Under Queens Regulations (QRs) or Government Accounting/Departmental Regulations, heads of units/unit commanders are personally charged, through and under direction of the chain of command, with the responsibility for Materiel Accounting. Heads of units/unit commanders therefore must pay close attention to ensure the satisfactory performance of all accounting aspects of formations, closures and transfers. The common activities associated with closures are identified at Annex A. To achieve this, small project teams comprising representatives from appropriate areas should be established. The flowchart at Annex B provides an indication of the sequence in which activities should be undertaken.

PRINCIPLES

3. **Formation of a MOD Accounting Unit.** Once an announcement has been made for the commissioning of a new unit, the unit will operate a fully traceable and auditable accounting regime from the outset. In this context, the head of unit/unit commander is to ensure that:
 - a. A formation project team is convened to produce a Programme Management Plan (PMP), record progress and resolve problems.
 - b. All IS-based and manual accounts are to be established with responsible officers nominated to carry out full inventory checks.
 - c. All property is mustered, accurately valued and, where appropriate, recorded in the Resource Accounting and Budgeting (RAB) Fixed Asset Register (FAR).
 - d. All Materiel Accounting regulations are identified and complied with.
 - e. Full audit trails are maintained.
4. **Closures of a MOD Accounting Unit.** Following the official announcement of the closure of a MOD unit, the head of the unit/unit commander is to:
 - a. Convene a closure project team (eg a board of officers) formally tasked to:
 - (1) Produce and monitor the unit closure plan, and produce the closure report at the end of the process.

- (2) Produce a PMP to establish milestones. Progress against the PMP is to be monitored and reported up the logistics staff chain of command. Sub-groups are to create PMPs linked to the main plan.
- (3) Manage the processes required to achieve efficient, timely and accurate closure, rundown and transfer, including the 100% stocktake of materiel being transferred as required by Para 6b(6).
- (4) Ensure that asset registers, inventories and audit trails are accurately maintained throughout the closure process, and that owners are advised of any changes, losses or disposals.
- (5) Arrange for the preparation of the relevant account closure and handover certificates.
- (6) Arrange for the handover and retention in accordance with Departmental Regulations of all account documentation on completion of the task.
- (7) Ensure that mechanisms are put in place for the recording, retrieval and review of costs applicable to the closure process, including monitoring, management and reporting of expenditure against the closure plan. Interim statements of account are to be recorded in the closure project team minutes and the final statement of account is to be included in the closure report.
- (8) Make arrangements for the retention and use of available expertise within the closing unit.

The closure project team and any sub-group such as a closed stores account team are to include representation as considered appropriate from the following:

Head of Unit
Funding Budget Holder
Finance Manager
Property Manager
Personnel Manager
Defence Estates Organisation (Lands)
DSA
Custodians of stocks (importing and exporting)
Owners of assets and/or stocks
Materiel Accounts Manager
Warehouse Manager

- b. Give consideration to the training needs of any staff in positions of direct responsibility for closure tasks.

5. MOD Accounts During Operations. For each operation, the Joint Task Force Headquarters (JTFHQ) is responsible for exit and redeployment, including drawdown and account closure procedures. JTFHQ will direct the Joint Force Logistic Component (JFLogC) or, when not present, establish a headquarters to speed and optimise exit and redeployment. One of the roles of such a headquarters is to provide direction to all

deployed units or establish a team to focus on drawdown procedures to affect orderly withdrawal processes. For enduring operations the establishment of a separate HQ can speed and optimise exit and redeployment. The Army Theatre Draw-down Unit (TDU) and its RAF equivalents Deployed Operating Base Air Combat Service Support Units can best undertake the draw-down of non-unit equipment, materiel and combat supplies. Their tasks include the identification, accounting, possibly refurbishment and dispatch of items to the Base in accordance with the supporting Commands' instructions issued through the Permanent Joint HQ (PJHQ) or JTFHQ.

6. Transfer of Responsibility of a MOD Accounting Unit. If it is required that the materiel accounting and ownership responsibilities of a MOD Accounting Unit are to be transferred to another MOD Accounting Unit, the logistics chain of command must direct the exporting head of unit/unit commander to:

- a. Obtain written confirmation of the extent of the transfer.
- b. Convene a unit transfer of Materiel Accounting responsibility project team (e.g. a board of officers), formally tasked to:
 - (1) Identify materiel accounts to be transferred.
 - (2) Produce and monitor the unit transfer of Materiel Accounting responsibility plan and produce the transfer of Materiel Accounting responsibility report at the end of the process.
 - (3) Produce a PMP to establish milestones. Progress against this plan is to be monitored and reported up the logistics staff chain of command. Sub-groups are to create PMPs linked to the main plan.
 - (4) Agree with stock custodians the process required to achieve efficient, timely and accurate transfer of materiel and include timeframes and milestones in the PMPs.
 - (5) Ensure that asset registers, inventories and audit trails are accurately maintained throughout the transfer of Materiel Accounting responsibility process, and owners advised of any changes, losses or disposals.
 - (6) Ensure that all materiel to be transferred is inspected by the importing and exporting authorities for quantity and condition (ie subject to 100% stocktake), resolving all discrepancies before issue, and that any relevant documentation and certificates accompany the materiel upon outload.
 - (7) Arrange for the handover/retention in accordance with departmental regulations of all account documentation upon completion of the task.
 - (8) Ensure that mechanisms are put in place to record, retrieve and review the costs associated with the transfer of responsibility process, and to monitor, manage and report expenditure against the transfer of responsibility plan. Interim statements of account are to be recorded in the transfer of responsibility

project team minutes and a final statement is to be included in the final transfer of responsibility project team report.

(9) Make arrangements for the retention and use of available expertise within the exporting unit.

c. Give consideration to the training needs of any staff in positions of direct responsibility for unit transfer or responsibility tasks.

7. **Information Systems(IS).** Where appropriate (eg for stand-alone systems), IS account transactions are to be archived/downloaded onto permanent data storage devices (eg CD-ROM) in a readily available format and retained with the final closure/transfer records. Arrangements are to be made for the return of all IS hardware and software to the appropriate authority for disposal or re-allocation.

8. **Service Contracts.** Contracts for the provision of domestic and other services must be reviewed to consider economies, extensions, terminations or alternative means of obtaining the required services involved, before any rundown, transfer or closure activity commences.

9. **Leasing.** Leaseholders are to be provided with the appropriate lease termination notification.

10. **Parenting.** Units and other establishments involved in parenting arrangements are to be given adequate notice of the planned termination of the arrangement in accordance with any parenting agreement.

11. **Materiel Accounting up to Closedown.** During the rundown period, it is essential that full accounting practices continue. The closure project team may seek dispensation for Materiel Accounting relaxation or concessions. These dispensations must be supported by detailed applications submitted through the appropriate chain of command to SCS (Stock Man) SO2 Materiel Accounting for authorisation, subject to the agreement of major stock owners. Regular meetings are to be held to:

a. Verify and ensure that all materiel accounts and stock transfers are progressing in accordance with PMPs. Discrepancies are to be resolved prior to handover of the materiel account or transfer of stock and fully acquitted before completion of closure activity.

b. Verify and ensure that all materiel account balances are agreed, and all issues resolved prior to handover.

12. **Asset Transfers.** When assets are to be transferred from a closing unit to another unit, a system is to be set up whereby stock levels are minimised and maintained to allow efficient operations during the rundown period. Transfer arrangements should be agreed between exporting and importing authorities, including all asset/stock balances, incorporating milestones into plans. Stock owners are to be advised of transfers in order to maintain asset registers.

13. **Disposal of Assets.** At the outset stock owners are to be consulted by the project team to identify assets that are to be transferred or disposed of. When disposal has been agreed guidance on the method of disposal is to be promulgated by the head of the project team. Assets at a closing unit that are not required to be transferred to another unit are to be listed, accounted for and disposal instructions sought in accordance with other regulations contained within JSP 886. If necessary, the advice of the Disposal Sales Agency should be sought via the project team and the appropriate chain of command.

14. **Disposal of Non-Recorded Assets.** As soon as closure is announced, a comprehensive asset listing must be compiled, by category of item, with a unique serial number for each separate item if appropriate. The list is to distinguish between public funded items and those presented to the unit as gifts. All public funded items are to be brought to account. All items presented as gifts are to be offered back to the donor. If gifted items are not returned to the donor they are to be brought to account. If any of these assets are then disposed of, all transactions, including receipts, must be fully documented on the account in accordance with appropriate regulations contained within JSP 886. The RAB Fixed Asset Register (FAR) must be adjusted where appropriate.

15. **Gifting.** Detailed regulations on gifting contained in JSP 462 and RAB requirements in JSP 472 are to be followed. However, any requests to gift items of MOD property must be referred to the appropriate Finance Branch for approval, unless delegated powers are held locally. Any items gifted are to be issued from the relevant account and the details included in the closure report.

16. **Audit Trails.** In order to ensure that National Audit Office (NAO) and Defence Internal Audit (DIA) concerns are assuaged, audit trails are to be established and accurately maintained (the project team should only consult DIA for advice when considered necessary through the normal channels). Audit records include records of all major decisions and capital expenditure involved. All IS and manual accounts and associated documentation are to be retained for a minimum of 5 years or in accordance with Departmental Regulations.

17. **Closure and Transfer Records.** To comply with Government Accounting Requirements (GAR), and in order to record accurately the activities involved in rundown, closure and transfer, the following should be included:

- a. A full narrative report, compiled by the head of the Accounting Unit through the project team, on closures and transfers that includes an expanded list of problems, their solutions, assumptions adopted, lessons identified and areas of best practice established.
- b. All closure/transfer and handover certificates.
- c. A list of all IS and manual accounts subject to closure and transfer.
- d. All accounting systems documentation, to include custodial account and asset registers, write down/write off, losses records, loan/articles-in-use¹ registers and a

¹ Loan/articles-in-use registers are lists of items included in stock accounts that have been loaned to other areas/individuals and are expected to be returned to the main account. Types of loan account include STC Inventories, RN Armament Loan Record or Personal Loan Records, ordinary loan etc.

statement of propriety and regularity (this statement is to provide assurances that accounting policy processes and procedures have been complied with, full audit trails have been maintained and auditable documentation has been retained).

In accordance with JSP 441 and GAR these records are to be retained for a minimum of 5 years, at a location agreed by the project team, after which time the requirement is to be reviewed by the Stock Management Enabling Team (SMET).

18. **Progress and Final Reports.** Copies of the progress and final reports are to be forwarded to Project Team Members, Accounting Records Custodians, Stock Owners, SMET, DIA and the appropriate FLC focal point.

Annexes:

- A. Closures - Critical Actions Required.
- B. Flowchart for MOD Unit Formation/Closure/Transfer Activities.

ANNEX A
(Introduced at Paragraph 2)

CLOSURES – CRITICAL ACTIONS REQUIRED

1. Action required of MOD or other HQ ordering the closure:
 - a. Establish audit trail of process, leading to decision to close the MOD Accounting Unit.
 - b. Acquire or carry out a full Investment Appraisal related to both capital and revenue.
 - c. Provide a political/public relations brief related to the closure and to the position in respect of Trades Unions (TU).
 - d. Issue a clear and comprehensive order allowing a suitable timeframe.
 - e. Inform all other agencies that are interdependent.
 - f. Inform NAO/DIA.
2. What the closing MOD Accounting Unit must already have:
 - a. A MOD unit must have a clear command/management structure, a full knowledge of its materiel management situation (technical and, where separate, domestic), up to date procedures, trained staff and adequate funding.
 - b. Clear and suitable MOD regulations and instructions relating to the maintenance of all domestic materiel, technical equipment or miscellaneous accounts.
3. What the order to close must contain:
 - a. Title and UIN(s) of MOD Accounting Unit(s) affected.
 - b. What is to be achieved, eg closure of site and of materiel stockholding activity, or simply closure of stockholding, and the target date.
 - c. Details of higher level action that may or may not have been taken, eg TU consultation and political announcements.
 - d. Disposal instructions for all materiel held.
 - e. Budget for closure – stock movement, overtime, and other relevant factors.
 - f. Final disposal of real estate, buildings, and other assets.
 - g. Title of custodial unit.
 - h. Target date for handover of materiel accounts to custodial unit.

- i. Reports required, and content.
4. What supervisory activity must be initiated by the chain of command:
 - a. If judged necessary, order a pre-closure audit of both technical and domestic accounts by type of account and by UIN (to be listed).
 - b. Take steps to prevent a change of head of unit or unit commander during the closure process wherever possible.
 - c. The Budget Holder/Finance Manager is to take over the Investment Appraisal of the business case where the decision to close was made with a view to validating it at intervals, and post closure.
 5. What the MOD Accounting Unit must do at once:
 - a. Issue a warning order internally and to all contractors and service providers.
 - b. Review its operating position and take steps to update/correct or put in place any management capability it lacks.
 - c. Assist the pre-Closure Audit and act quickly on any observations.
 - d. Plan the closure process so that it can be completed fully, on time, and leave a clear audit trail of decisions and actions. This must have addressed all the topics listed in this Annex and include details (including documents where helpful) of any problems encountered, their solutions, any assumptions made, aspects missed from the original plan, lessons identified and instances of best practice identified.
 - e. Form a Closure Project Team. Task it to:
 - (1) Produce the Closure Plan together with a Programme Management Plan (PMP) with milestones and requirements for reports, for the cessation of materiel issue and receipt activity, the removal of stocks, and steps to ensure accounts can be adjusted or closed on time.
 - (2) Identify requirements for staff retention, recruitment, training, assistance with re-employment, redundancy and retirement.
 - (3) Monitor all processes.
 - (4) Collect all costs of closure and monitor expenditure against the closure budget.
 - (5) Produce account closure and handover certificates.
 - (6) Plan the collation and subsequent handover to the custodial unit of all Materiel Accounting documentation in accordance with other extant Materiel Accounting instructions contained within JSP 886.

6. Materiel Management – Actions required:

a. **Stock or Main Accounts.**

- (1) Co-ordinate instructions to customers and liaise with owners of stock so as to bring about cessation of normal materiel activity.
- (2) Draw up outload plan to relocate stock, ensuring (as may be appropriate):
 - (a) Diversion of receipts.
 - (b) Cessation or transfer of responsibility for automatic issues.
 - (c) Relocation of any Loan Pools.
 - (d) Recovery/diversion of loans.
 - (e) All stock transfers to be properly vouchered.
- (3) All accounts (stock, dues-in/out etc) held by the MOD Accounting Unit are to be cleared by the implementation of Materiel Accounting processes so that all records are reduced to zero.
- (4) Identify transportation and Mechanical Handling Equipment requirement for the outload.
- (5) Identify responsibility, including security arrangements, for classified material as required by JSP 440 Defence Manual of Security.
- (6) Identify date(s) for change of status or cancellation of UIN(s).

b. **Domestic Stocks and Accounts.**

- (1) Identify an effective timetable for surrender of materiel assets and rundown of bulk fuel stocks.
- (2) Obtain disposal instructions for:
 - (a) MOD materiel/articles in-use.
 - (b) Non-public items.
 - (c) Storage media used by facility.
 - (d) Defence Accommodation Stores.
 - (e) MOD IT equipment.
 - (f) Accountable documents.

(g) Classified documents.

(3) All accounts (stock, dues-in/out etc) are to be cleared by the implementation of Materiel Accounting processes so that all records are reduced to zero.

c. **All Materiel Accounts.** Provide the custodial unit with:

(1) Full listing by title, date and voucher numbers of all accounts together with a list of uncleared Issue Vouchers, Issue Transaction Summary (MOD Form 458) and other relevant documentation.

(2) Records of stocktaking and managerial examination of materiel accounts for the period covered by the accounts to be submitted (not less than two years).

(3) Pre-closure inspection reports.

(4) Loss registers and details of outstanding applications for write-off, write-down, etc.

(5) All vouchers boxed; boxes to be numbered and captioned; accompanying list to detail box numbers and contents.

d. **Associated Matters.** Policy guidance leading to executive action related to those matters listed below should be sought from other relevant instructions:

(1) Finance and Cash accounts.

(2) Human Resources.

(3) Routine administration including post, publications, Fire, Security and H&S matters.

(4) Buildings and fixed facilities.

(5) Real Estate.

7. **Closure Report.** The closing MOD Accounting Unit, through the project team, is to produce a final closure report consisting of:

a. List of accounts closed, and supporting documentation (see Paragraph 6c above).

b. A full narrative report (see Section 2 paragraphs 16 and 17).

ANNEX B (introduced at Paragraph 2)

FLOWCHART FOR MOD UNIT FORMATION/CLOSURE/TRANSFER ACTIVITIES

