



**Internal Audit Report**

**Review of Year-End Stock**

April 2013

## **1 INTRODUCTION**

As part of our annual audit programme for 2013/14, Internal Audit undertook a review of 2012/13 year-end stock. The year-end stock review covered stores within two departments, Community Services and Development & Infrastructure Services. Internal Audit secured a copy of stock-taking procedures and undertook stock count checks at both stores.

Within Development and Infrastructure Services, there is only one store holding stock records, the Roads Lighting Store, which is located in Lochgilphead and issues stock to all areas within Argyll and Bute. All other purchases are ordered as required and booked directly to jobs.

The internal audit review of stock also covered the Integrated Equipment Service (IES) store which is a joint future agreement between Argyll and Bute Council and NHS Highland. All stock and assets for IES are purchased by Argyll and Bute Council with IES controlling stock at a number of locations. NHS Highland hosts the service and controls stock input, output and record keeping.

## **2 AUDIT SCOPE AND OBJECTIVES**

The broad objectives of the review were to:

- Ensure departmental procedures for the year-end stock-take were adequate as agreed with Internal Audit; and
- Ensure that sample count of stock held at the two stores was accurate.

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.

- SR16 Failure to have a robust internal control process and system

## **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## **5 MAIN FINDINGS**

- The audit review found that the year-end stock procedures for Development and Infrastructure were comprehensive.
- Continuous stock takes of the Roads Lighting Store have taken place and this has resulted in a significantly smaller stock variance than in previous years. The small number of variations between stock sheets and actual were within an acceptable constraint i.e. 0.24 % of total stock value.
- The stocktake at the IES depot was carried out on April 22<sup>nd</sup> later than expected due to staff not being ready on March 27<sup>th</sup> as initially agreed. A total of 25 high value stock items were chosen for agreement back to stock sheets. Of the 25, two items were unable to be reconciled back to the stock sheets representing 4.1% of total stock value.
- The physical stock layout at the IES depot in Oban was not good. The major value stock which was £61,036 is spread over some 12 containers which are rented from a local business. A number of related stock items rather than being kept in one container were found to be split across containers.
- Internal audit visited both the Blackhill Helensburgh and Moneydrain Lochgilphead depots to agree the reasonableness of the salt quantities per the stock sheets. As regards Moneydrain the Salt stock sheets tonnage estimate was within 4.7% of estimated tonnage. No estimate was carried out for the Blackhill depot due to the construction of the pile.

## **6 RECOMMENDATIONS**

There are three recommendation of a low priority identified as a result of the audit.

## **7 AUDIT OPINION.**

Based on the findings of the stock checks undertaken it can be concluded that the Development & Infrastructure Services, Roads Lighting Store has demonstrated that they have procedures in place for ensuring stock figures are correctly stated in the financial statements. With regard to the Community Service IES stock control, the count was of sufficient accuracy when checked back to stock sheets to lead internal audit to have the opinion that sufficient stock processes are in place to support the stock valuation.

## **8 ACKNOWLEDGEMENTS**

Thanks are due to the following persons for their co-operation and assistance during the Audit and the preparation of the report and action plan:

- Accountant – Community Services;
- Integrated Equipment Store Manager; and
- Development and Infrastructure Staff

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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