

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	FINANCIAL SYSTEM AUDIT
AUDIT TITLE	REVIEW OF YEAR END STOCK
AUDIT DATE	MAY 2014

2014/2015



1. AUDIT SCOPE AND OBJECTIVES

As part of our annual audit programme for 2014/15, Internal Audit undertook a review of 2013/14 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.

The audit scope and objectives were to:

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

2. RISKS IDENTIFIED

- Supply chain unable to supply materials timeously
- Risk of inaccurate records leading to pilfering and perishing.

3. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

<p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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4. FINDINGS

The following findings were generated by the audit:

- 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 smaller stock variance than in previous years reducing from 6 variances in 2011 to 2 in 2014.
- The IES stock count was carried out at the Jeanie Deans unit in Helensburgh. Of the 483 items in stock 148 items were checked i.e. some 30% and an overall discrepancy of 3 was found i.e. a 2% discrepancy.
- As regards the Roads Lighting store a sample of 14 items from a total of 66 items were counted from the stock sheets i.e. 21%. Of the 14 items checked 2 items had discrepancies. The reason for these discrepancies was due to the Cardex system not having been updated timeously to reflect issues to jobs.
- Internal Audit was unable to carry out the planned stocktake of the salt store at Moneydrain depot due to the ongoing transfer of salt stocks between depots.

5. CONCLUSION

This audit has provided a Substantial level of assurance. There were two recommendations for improvement identified as part of the audit. Both recommendations are classified as low they will not be reported to the Audit Committee.. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Customer Services staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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