Swindon Internal Audit Services

Stores and Equipment Management

March 2016

(Final)

Contents and Distribution

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Report Distribution – Final Report issued on 31st March 2016 to:

Head of Corporate Finance
Waterside Integration Programme Manager
Senior Procurement Officer - Waterside (formerly Stores and Procurement Manager at the time of audit)
Depot Site Manager (formerly Head of Depot Operations at the time of the audit)
Head of StreetSmart
Head of Property Maintenance
Systems Development Manager

Auditor:

Senior Auditor

Executive Summary

Background

This audit was undertaken with the objective of providing assurance to the Head of Infrastructure Assets and the Head of Streetsmart, regarding the management of equipment in use by Craft and Trade Workers[1] and the management of the Waterside Stores (including stock held within Stores and the imprest stocks held on Vans).

The management of equipment and stock issued by Stores is a vital component of ensuring frontline delivery is operated efficiently and effectively. The maintenance of equipment is also important for ensuring the Health and Safety of staff and the public. There is also a financial risk to the Council in the event of loss or misappropriation of these assets. At the time of the last stocktake of Stores on 31st March 2015, the stock valuation for Stores and imprest was £845,480.

Following the reintegration of SCS with SBC in November 2013, a number of work streams were identified to drive service improvements and deliver savings. One of these work streams related to Stores and Purchasing, which has led to improvements in many areas, including: relocation of the Store to a more secure environment; reintroduction of the operation of imprest van stocks for craft workers; development of core product imprest stock lists with the Housing department; introduction of monthly stores and purchasing meetings with the Housing service to improve communication and engagement between the teams.

An update of this project was produced in July 2015 which outlined significant further work to improve controls, ensure value for money and explore all options for the future operating model of the Stores and Procurement function.

In early 2016, a restructure of the Depot Operations function took place, to provide additional capacity across fleet, stores, depot management and the Council's operator's licence. The Stores and Procurement functions have now been separated, and the Fleet and Stores Management is no longer part of the old Depot Operations Manager role. Therefore responsible officers for implementing many of the recommendations in this report are not yet appointed. Overseeing implementation in the interim is the Head of Corporate Finance and the Waterside Integration Programme Manager.

Audit Opinion

The opinion on the current controls in place is that there are a number of **significant improvements required** to ensure the current commissioning arrangements are fully reliable. The combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**.

[1] Craft Worker refers to staff delivering various skilled trade roles for Housing (e.g. electricians, carpenters, kitchen fitters, etc.) with Trade Worker referring to workers delivering trade roles for other Council departments (e.g. Streetsmart).

Key Messages

Key messages from the review are:

- The accuracy of the current equipment asset register (held on a system called DATAstox) is in doubt and a combined effort across Trade Teams is needed to identify equipment in use by staff to ensure an accurate record can be collated centrally and any items that cannot be identified formally written off and removed from the register.
- The use of the DATAstox system for equipment management should be reviewed to determine whether it is the most appropriate software for equipment management. The system is not currently supported by the Supplier (or Capita), and there are inadequate access controls.
- Wherever possible, all stock should be brought together and stored in one location.
- CCTV coverage is needed in the main stores and for other areas where coverage is inadequate around the Depot to provide a deterrent and means to identify potential theft of stock.
- The access controls for the Waterside Depot, particularly for doors leading to offices or other sensitive areas such as Stores, should be reviewed to establish where further controls may need to be resourced, as currently access to key areas is not restricted.
- The instalment of an electronic stock management system for fleet stores is already in the process of being implemented. In order to improve controls in the stock management process, introducing an electronic barcode system for the Main Stores is also being sought to replace the current manual process. This needs to ensure the resources required can be sufficiently justified (a Business Case for this has recently been produced and is due to be reviewed in this context).
- Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing issues from Stores.
- All current contracts and purchasing arrangements for stores and equipment are being reviewed to ensure best value is being achieved.
- The Stores Procedures should be updated. In particular, these should include a suitable schedule and method for stocktakes and disposal of equipment.

Context

Equipment and stores management is a vital part of the supporting infrastructure to ensure frontline services are able to operate effectively and efficiently. As well as ensuring equipment is available there is also the requirement to ensure the equipment is in safe working condition.

Due to the nature of the work, equipment and stock may be stored across many different sites and staff may also store equipment and materials e.g. in their vans, for use out in the field. Therefore, it is imperative that there is a structured programme in place to ensure stock and equipment is available and in safe, working order.

The framework to support the security and disposal of assets is included in the Council's Financial Regulations. Use of equipment is also referenced in the Council's Code of Conduct, where it states that no private work may be carried out in the Council's time, on the Council's premises, or with the use of the Council's equipment.

In November 2013 most of the operational and support services from Swindon Commercial Services Ltd (SCS) transferred back to Swindon Borough Council. A 'Waterside Reintegration Programme' was developed and new management structures were put in place in late 2014 and the Head of Infrastructure Assets and Head of Streetsmart is now responsible for these services, although the Head of Corporate Finance is temporarily covering the responsibilities for Infrastructure Assets in the absence of the current post holder.

In early 2016, a restructure of the Depot Operations function took place, to provide additional capacity across fleet, stores, depot management and the Council's operator's licence. The Stores and Procurement functions have been separated, and the Fleet and Stores Management is no longer part of the old Depot Operations Manager role.

A new post of Transport and Stores Manager has been created, which will sit above the Fleet and Workshop Manager and the Warehouse Manager, which is another new role, with responsibility for stores. Both these new posts are currently being advertised.

Risk Areas Examined and Findings

In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing.

The key risks to the achievement of the business objectives were discussed and agreed with the Head of Corporate Finance before the commencement of the audit. The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of controls in place for each area of risk examined:

Risk Area Examined and Findings	*Audit Conclusion*

Risk: Strategy, policy and procedures
• A Stores and Procurement workstream was set up in November 2013 as part of the Waterside Integration Programme and a number of activities have been completed as part of this project:
  ○ Stores have been relocated to a more secure environment.
  ○ Imprest van stocks for craft workers in the Housing department have been introduced.
  ○ A Stores and Procurement Manager was appointed.
  ○ A Stock Controller was appointed on a six month contract (from 17th August 2015) with the objective of improving stock processes and identifying potential savings by improving efficiency in the process, in response to issues identified by the project team prior to the audit.
  ○ Plans to improve controls are being implemented however these are dependent in some cases on additional resources (e.g. installing CCTV in main Stores).
  ○ A full stock take was undertaken in March 2015, for the first time in over three years, allowing an accurate base from which to undertake future stock takes.
  ○ The stock management system was changed to Open Housing, allowing greater integration with Housing;
  ○ Monthly stores and purchasing meetings with Housing services have been established to improve communication and engagement between the teams.
• A new Project Initiation Document (PID) was produced in July 2015 for the 'Stores Project', which sets out the strategic and operational activities for the future. There is an action plan for the work stream that is updated after weekly meetings between the project team. This does not currently include details of the resources needed or potential risks to implementing these actions (**AP4.1**).
• The PID outlines that future priorities include significant further work to improve controls and efficiencies that will be undertaken before exploring and researching all options for the future operating model for Stores and Purchasing function. Where there are significant financial implications to implementing the actions outlined in the PID (and recommendations in this report), this cost will need to be considered in the context of the potential long term future plans for Stores and Purchasing.
• The procedures for stores are currently out of date, having been last written in 2010. These are currently being re-written as outlined in the PID. Once these are completed, the plan is to introduce these to all staff in the Team, supported by staff training to raise awareness of these procedures (**AP4.2**).
• Equipment used by Craft Workers is purchased via stores and then delivered to the Horticultural Supervisor, who asset tags the item and records the details, including the date the item will be due a safety inspection (if applicable), on to a database called 'DATAstox.' All items that require servicing also have a tag attached to the item which includes details of the date of last service and when it is due an inspection. The equipment is then issued to the relevant Craft Worker.
	Satisfactory

Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	*Audit Conclusion*
Risk: Servicing / inspection routines for equipment • Equipment used by Craft Workers is purchased via stores and then delivered to the Horticultural Supervisor, who asset tags the item and records the details, including the date the item will be due a safety inspection (if applicable), on to a database called 'DATAstox.' All items that require servicing also have a tag attached to the item which includes details of the date of last service and when it is due an inspection. The equipment is then issued to the relevant Craft Worker. • When equipment is due to be tested or serviced, the Horticultural Supervisor contacts the relevant Craft Worker recorded as in possession of the equipment and asks for it to be brought in. However, there are major doubts about the accuracy of the equipment register, and therefore it is not clear if all items in use have been inspected or what the total value of assets is held by the Council (**AP1.1**). • Ultimately it is the responsibility of the person to whom the equipment was allocated to ensure their equipment is in service. Trade Supervisors were contacted and asked about equipment records in their areas, but only two out of ten responded. One of these Teams maintained a separate equipment register for their staff, but the other did not (**AP1.1**). • When vans come in for servicing, any items that are found to be out of date are reportedly confiscated until a service can be carried out, but due to the issues above, this could not be evidenced. • Health and Safety undertake reviews regarding stores and any items found out of date are reported to the supervisor. • Health and Safety also undertake inspections of the physical stores. A recent review was undertaken in July 2015 where it was found that some non-conformances that were raised in a previous inspection (in January 2015) were still outstanding. These related mainly to the need to update risk assessments, which is being rectified. No significant risks were identified.	**Significant improvements required**
Risk: Security and storage of assets and stock • There are multiple locations in Waterside where some form of stock is held and the security in each of these locations is varied (**AP2.1**). • Although improvements have been made to restrict unauthorised access to Stores, the current controls are not entirely secure (**AP2.2**). • CCTV of the Depot is monitored 24 hours a day from the control centre. However, there are gaps in coverage, especially in some key stock areas (**AP2.3**). • At the end of each evening, Stores are locked when staff leave. A Security guard checks the Waterside site and buildings are alarmed. *(continued overleaf)*	**Significant improvements required**

Risk Area Examined and Findings	*Audit Conclusion*

Risk: Security and storage of assets and stock (continued)
• Access to the Depot is not sufficiently restricted (**AP2.4**).
• Insurance coverage and security requirements for stock and equipment are not widely known by Stores and Trades personnel (**AP2.5**)
• Out of hour procedures for staff obtaining stock are in place, but are not entirely robust (**AP2.6**).
• Most of the risks identified above, had been identified by the Stock Controller prior to the audit and there are plans in place to improve controls. However, these are dependent in some cases on additional resources being authorised. For example:
  • Motion sensor CCTV for Stores is proposed and a business case for introducing this is set to be written.
  • Stock stored outside of main stores is to be incorporated into main stores.
  • There are plans to introduce a catalogue of parts available on the counter to minimise the need for trade persons to access warehouse stock out of hours.
	See previous page

Risk: Inventories, including purchasing and disposal of assets and stock • The restructure of the Stores and Procurement Team is currently underway with the aim of increasing capacity and to enable greater focus on both the stores and procurement functions. • Currently main Stores purchasing is undertaken by a Buyer, with direct purchasing and fleet purchasing undertaken by separate functions. The purchasing process was reviewed and appears reasonable and includes suitable controls. All stock is delivered and checked by a separate Stores Team and invoices are processed by a separate Accounts Payable department, ensuring appropriate segregation of duties in the process. • Suppliers currently used for different purchasing functions are historical and it is unclear when the last wide scale value for money process was undertaken to ensure these suppliers are providing best value. The PID acknowledges the need for improvement in this area. Work is underway to review all current procurement contracts and activity undertaken through the Stores, Purchasing and Fleet, to develop market strategies based upon an assessment of value, risk and opportunity for savings. A Senior Procurement Officer is assigned to this part of the project to work with Stores to achieve improvement in this area. The Council's new Contract Standing Orders were adopted by Cabinet in November 2015, and any future activity should conform to these standards. Compliance with the European Procurement Regulations should also be observed. • To reduce staff time coming into stores, imprest van stock has been introduced with Trade Supervisors and will continue to be reviewed to ensure stock levels are suitable. New stocks have been rolled out for plumbing, carpentry and gas, with electrical underway. Replenishing of vans is undertaken weekly. *(continued overleaf)*	**Significant improvements required**

Risk Area Examined and Findings	*Audit Conclusion*
Risk: Inventories, including purchasing and disposal of assets and stock (continued) • There are also plans to review direct purchases (purchases of non-stock items) to continually inform what stock items are necessary. There is a need to increase feedback of trade staff into this process (**AP3.1**). • The process for issuing stock is manual and is therefore time consuming and open to error. It is also difficult to observe financial limits for stock issues[2] or get a real time picture of the inventory, which may delay stock reorders and the issue of stock. A business case for purchasing a bar coding stock management system has been produced and is in the process of being reviewed. It is expected that this will allow improvement in these areas, as stock will be scanned onto a person's account and values will be displayed during the issue of stock. The business plan also seeks to demonstrate the potential cost savings of introducing the system. • So long as a Stores Issue Notice (S-ticket) is appropriately authorised and includes a cost or job code, Stores will issue stock to an operative. Determining whether the stock booked out is reasonable for their roles is the responsibility of the trade supervisors and managers, who should check that issues are reasonable when reviewing jobs. However, it is not clear to what extent these Supervisory checks are in place (**AP3.2**).[3] • It is intended to implement rolling stock checks, but there is not a schedule in place to set out this plan (**AP3.3**). • Stores do not currently have a policy for disposals or for selling stock or agreements with other departments regarding who gets to keep any income raised (**AP3.4**). • Access to the fleet store is not restricted. The Council is charged for the use of fleet imprest stock as and when it is used, but the controls for checking whether these have been genuinely used on jobs are not clear and therefore there is a risk that the Council is charged for lost / misappropriated items (**AP3.5**). • To improve controls in this area, a project is running to update Fleet Master and introduce barcoding and electronic booking out process. The process for this is currently being discussed, to ensure appropriate authorisation checkpoints are introduced to the process. Once introduced, it is envisaged that this will allow for better stock management and also reporting processes. • When items are booked out, the Fleet Workshop completes a job card which needs to be processed on the system. At the time of auditing, the job cards had not been booked out on the system for 2 weeks, as the Fleet Buyer had just returned from leave. Nobody covers this role in his absence (**AP3.6**). *(continued overleaf)*	**See previous page**

[2] There is a £250 limit that each worker can self-authorise to gain stock from Stores. Manual processing makes this difficult to enforce as stock issuers don't necessarily know the cost of items being issued. In any case, workers are not restricted to one S-ticket issued in a day and therefore the amount is arbitrary.
[3] Part of the control questionnaire sent to Supervisors sought to establish how Supervisors ensured the stock issued to their staff was reasonable. However, as reported above, only two out of ten Supervisors responded and therefore the extent of controls in place in this area has not been substantiated.

Swindon Internal Audit Services: Stores and Equipment

Risk Area Examined and Findings	*Audit Conclusion*
Risk: Inventories, including purchasing and disposal of assets and stock (continued) • There were many anecdotes of wastefulness regarding staff which has signified a need to change the culture of those accessing stores. There is an on-going process to change behaviours, but there may need to be more done to better utilise performance management, in conjunction with all Trade Teams (**AP3.7**).	**See previous page**
Risk: Capability of IT recording systems and management information • The Horticultural Supervisor is currently the only person trained in using the Equipment Management system DATAstox and accesses this system using a former employee's User ID and password. The back-up arrangements for this software are unknown and the software licence has expired and is no longer supported by the supplier. In addition, the system is unable to produce proper management information (**AP5.1**). • Stores moved from using TASK to OHS in April 2015. The OHS system is primarily for housing and is not a specific stores and inventory management system. However, there is a purchasing and stores module that is suitable for use and links stock that is ordered and issued to be linked directly to jobs. • Development of management information is a priority in the Stores and Procurement PID, to be better able to inform the service and performance in their area. Regular reporting is required to analyse stock movement and make informed accurate decisions regarding stock levels, for example. • There are many reports currently available for stores in OHS and needs are being continually reviewed between Stores, Trade Teams and the Systems Development Team in Housing. However, some potential gaps were identified (**AP5.2**).	**Satisfactory**

Overall Opinion

Materiality and Impact: High: The management of equipment and stock is a vital component of ensuring frontline delivery is operated efficiently and effectively. Maintenance of equipment is important for ensuring the Health and Safety of staff and the public. The stock valuation for Stores and imprest at 31st March 2015 was £845,480, and stock is issued through stores on a daily basis. There is also therefore, a fairly significant financial risk to the Council in the event of these assets being lost or stolen.

Changes since the last audit: The last audit of 'Stores' was completed in 2005/06 and followed up in 2007, prior to the service being transferred out to SCS Ltd and its subsequent return to the Council. Given the time elapsed and the changes since this date, the actions from those audits have not been followed up on in this review.

Swindon Internal Audit Services: Stores and Equipment

Opinion on system controls: **Significant improvements required** (see Appendix A) i.e. the auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Despite the opinion given below, it is noted that there are processes in place within Stores and Procurement to tackle some of the control issues discussed in this report. However, the opinion is based on the controls as they are now.

Overall Assessment of Risk: The combination of the medium impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant improvements required	Of concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of concern	Moderate

Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Stores and Equipment Management, together with the recommendations to mitigate risks, the manager's response to the recommendations, the officer responsible and timescale for implementation. In order to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, recommendations have been prioritised.

The responsible officers for some of the recommendations in the action plan are named as the Stores and Procurement Manager and Head of Depot Operations, who provided management responses to the recommendations prior to the restructure of the Depot Operations function. Although these roles no longer exist, the Waterside Integration Programme Manager and Head of Corporate Finance are providing transition support to the new structure and actions will be allocated to the relevant roles under the new structure once post holders are in place.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
1	***Risk Area: Servicing of Equipment***			
1.1	**Servicing of Equipment** Equipment used by Craft Workers is purchased via stores and delivered to the Horticultural Supervisor (HS) to asset tag the item and record details of the asset onto a system called DATAstox, including the date the item is due a safety inspection. To ensure the accuracy of the records, when the HS took on the responsibility for equipment, items recorded within DATAstox were moved onto a 'quarantine' list until the physical equipment could be located. Some items have since been identified, but there are many that remain missing and so the accuracy of items recorded in DATAstox is in doubt. In March 2015, the estimated total of 'quarantined items' was over £111,000 (an up to date list was requested but could not be run - see AP5.1). When equipment is due an inspection, the person to whom the equipment was allocated is contacted to bring the item in. However, due to the above, it is not clear if all items have been inspected. Trade Supervisors were contacted to establish if they hold equipment records in their areas. Only two out of ten responded; one Team maintained a separate equipment register, but the other did not.	In addition to the asset register on DATAstox, all Teams using equipment should be required to identify the items of tool and plant under their control (i.e. issued to their staff). In the first instance, the details of this equipment should be collated and forwarded to the Horticultural Supervisor within a defined timeframe, together with information regarding the date it was last inspected. This should be compared to the register currently held on DATAstox to establish discrepancies. Missing equipment should be investigated and where necessary, written off or removed from the register to enable a cleansed version of the equipment register. Once this exercise has been completed, equipment management processes should be sufficient going forward to manage the assets (subject to the additional recommendations at AP5.1). **Priority: High**	Stores and Procurement Manager In conjunction with Head of Infrastructure Assets / Head of Corporate Finance and Head of Streetsmart and Waterside Integration Programme Manager August 2016	**Agreed** **Head of Corporate Finance:** This is a significant piece of work affecting all operational services at Waterside and the Fleet and Stores teams and is at a very early stage. **Stores and Procurement Manager:** Responsibility for tool and plant is to be incorporated into Stores, although timescales are unknown. When this happens there needs to be a full review of the equipment register to establish where items are. The Horticultural Supervisor has done a good job recovering missing items, but the integrity of the asset register at the outset was poor. Need to get a base by calling in craft and trade workers team by team to identify, record, test, calibrate and formally sign equipment out to workers. There needs to be an agreement for writing off lost stock and then regular review going forward. Line Manager / Supervisor support will be vital to ensure staff in their areas are compliant with new procedures.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.1	**Stock Locations** There are multiple locations in Waterside where some form of stock is held. The security for each of these locations varies. For example, as well as the main store, slow moving or obsolete stock is still held in the old store area which has open doors on all sides and can be accessed freely (with the exception of wheelie bins that are secured via a padlock). Stock in this area was due to be moved into main stores on 26/10/2015 but during a site visit by the auditor on 10/12/15, this had not yet happened. At the time of initial site visits in October 2015, access to the fleet store was not restricted and Fleet staff (and any other personnel) able to access the stock directly. Another area contains bags for household and other waste. Access is not restricted, although there is CCTV in this store. Another warehouse holds the winter salt stock; there is no access restriction and CCTV coverage in this area is not currently in place. There are also other storage areas for larger items, such as the lock up for large street lighting equipment (e.g. lamp columns) where items are fenced off, requiring a key to access. Streetlighting staff have keys to this lock up and are able to help themselves to equipment on the proviso they let stores know afterwards. Although in the above locations stock is recorded on OHS, it is not possible to run a report showing the value of stock held in each location (see AP5.2).	Wherever possible, all stock should be brought together and stored securely in one location. Where this is not possible, suitable access controls or other preventative measures should be taken to reduce the risk of theft from these areas (i.e. adequate CCTV coverage, stock access only by Stores staff, etc.). **Priority: High**	Stores and Procurement Manager June 2016	**Agreed** **Stores and Procurement Manager:** The stock in the old stores needs to be integrated into main stores, but there is a space issue. It is being identified which stock has been unused since the move into the current Stores and this will be catalogued and sold at auction with the remainder incorporated into stores. However, some stock will never be able to move into the main stores - for example, the lamp columns are too large and it would be impractical to incorporate the salt stock. Fleet stock has now been incorporated into the main store and access is now restricted. Items are dispatched via a serving hatch between the main store and the Fleet Workshop.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.2	**Main Store Access** The main store area has a number of access points that are not entirely secure: ○ A shutter door that is used for deliveries is expected to be closed at all other times however, despite the auditor observing the Manager reminding staff that this door should remain closed, on multiple occasions during the audit this door remained open allowing full access to the main stores. ○ A side door that allows access into stores requires an ID badge to enter and exit, but access is not restricted to only Stores personnel. Central Admin provided a report showing who accessed the door in the week between 29/10/2015 and 03/11/2015. There were 45 people that used the door, over three times the number people that work in the Stores Team. ○ Although all spoken with during the audit stated it is never used, there is a fire door between the Fleet workshop and Stores that could be used to access Stores. This door is not alarmed. ○ A counter separates the stock room from staff. However, the counter can be raised to access Stores, if unmanned (e.g. when a Store Clerk is gathering stock for a Craft Worker). ○ A door to the left of the counter leads to an office area (that in turn leads into Stores). Although there is a sign stating access is restricted and the area this door leads to is busy, these doors are unlocked.	• The shutter door should be open only for deliveries. • Side door access should be restricted to Stores personnel only. • The fire door between Fleet and Stores should be alarmed. Consideration should also be given to: • Implementing further access controls to the Stores office (i.e. swipe access). • Whether the counter access should be removed entirely. **Priority: High**	Stores and Procurement Manager in conjunction with Head of Corporate Finance June 2016	**Agreed** **Stores and Procurement Manager:** Staff will be reminded of the procedure for the shutter door until compliant. The ID badge access has now been reviewed and Admin have been contacted with a list of staff whose access should be removed. The door between Stores and Fleet is now the serving hatch for the fleet stock. **Head of Depot Operations:** There is a desire for access to the Store and the Depot in general to be better controlled, but there are considerable cost implications. These will be looked at as part of the wider integration project going forward. **Head of Corporate Finance:** CCTV monitoring and shutter door closure are the priorities; consideration is currently being given to ways to restrict counter access.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.3	**CCTV** Although the key infrastructure is in place, there is currently no CCTV coverage inside of the main Stores. Outside of Stores, there is only one camera that partially covers the stores delivery entrance, but coverage is insufficient. There are also gaps in coverage in other key areas of the Depot, for example: • The camera above the fuel pit and the salt den is not working. There is one camera that can view some of this area, but this is generally restricted by parked vehicles. This has been out for approximately 12 months and has reportedly been raised with the Head of Depot Operations. • There is CCTV in the old stores area (approx. 6 cameras) but not all are currently in working order. • The Security Manager at Waterside also stated that there are gaps in coverage behind the tip, where stock belonging to highways and street lighting is stored.	Quotes should be obtained for CCTV in the main stores and for other gaps identified in the Depot and a decision made whether to improve coverage in these areas. **Priority: High**	Head of Depot Operations April 2016	**Agreed in principle** **Head of Depot Operations:** Quotes for CCTV in stores have been gathered; however the decision to implement this will be taken into account when reviewing access to the entire Waterside depot, rather than stores in isolation. As above, this will be considered in the context of costs.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.4	**Depot Access** There is no way of knowing who is in the buildings or on site at any one time. Signing in/out is expected of all visitors attending the Depot, but Contractors and members of the public can pass by reception and walk in and around freely, providing they have a hi-vis jacket. Doors around the Depot are generally not locked and very few doors require ID pass access. Some doors have push combination locks, but many are not secured during the day. There is no clear desk policy and so equipment may be at risk of being stolen if an intruder accessed an office. The reception shuts at 16.30 each day and so visitors still on site at this time cannot or do not need to sign out. The public require access to the tip and until a separate access road is put in (work is due to commence in Spring 2016) there is further risk of unauthorised access to the Depot.	The access controls for the Depot, particularly for doors leading to offices or sensitive areas, should be reviewed to establish where there are exposures to unauthorised access. Depending on the level of exposure, a solution should be sought to improve controls, balanced with the cost of implementing the control. **Priority: High**	Head of Depot Operations in conjunction with Security Manager July 2016	**Agreed in principle** **Head of Depot Operations:** As above, there is a desire to make improvements in this area, but these will be considered in line with the Waterside Improvement Project. Funding will need to be in place and this is not a priority at the moment. Some improvements are going on already, for example the separate public entrance to the tip is currently being constructed, which will help separate the Depot from the public in future.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.5	**Insurance** No one spoken with during the audit was aware of what insurance coverage there is for stock and equipment held at the Depot or off site, or indeed what impact gaps in security would have on the insurance coverage (i.e. invalidating cover). However, the Insurance Manager confirmed that the Waterside Depot is insured for £12,480,000. Of this amount, approximately £2,480,000 relates to contents (including stores). The Council does not currently insure for goods whilst in vans. However, with an increase in imprest stock being pursued, this may cause a financial risk to the Council if goods are lost or stolen from vans.	Managers should be aware of the level of contents SBC are insured to hold at the Depot to ensure contexts do not exceed this amount. Regarding van stock, it should be considered whether there is a cost benefit to introducing insurance cover in this area. **Priority: Medium**	Stores and Procurement Manager in conjunction with Insurance Manager April 2016	**Head of Corporate Finance: Agreed**

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
2	***Risk Area: Security and Storage***			
2.6	**Out of Hours** When access is required to Stores out of hours, Security should meet the worker at the Depot entrance and escort them to Stores. The staff member must still write out an S-ticket, but they will access the stock themselves. Security will not know if items gained are genuine or not or if all items have been added to the S-ticket. Anecdotally, it was stated that S-tickets are often incorrectly filled out for out of hour issues (e.g. missing job numbers / cost codes, incorrect stock codes, etc.). It was stated by Stores personnel that the stock withdrawn out of hours is minimal. However, there is not currently any way of identifying on OHS which issues relate to OOH and this is not currently monitored.	It should be explored whether there is a way of identifying out of hour issues on the OHS system. S-Tickets should be filled out in full and procedures should be reinforced to staff where non-compliance is identified, and where necessary, should be raised with the appropriate Trade Supervisor. Consideration should be given to providing Security with basic knowledge of S-ticket procedures to allow them to notice any obvious, improper use. **Priority: Low**	Stores and Procurement Manager May 2016	**Agreed** **Stores and Procurement Manager:** There is a process question to be answered of whether there is still a need for out of hours at all, especially with imprest stock on vans being reintroduced. Ideally it would be preferable to remove this, but this needs to be discussed and monitored going forward. **Head of Corporate Finance:** Security supporting access OOH is a workaround to services requiring supplies outside of Stores opening hours. Work is underway to understand the OOH requirement with a view to exploring alternative solutions. In the meantime the Security Manager and the Trade Managers have been asked to reinforce the requirement to complete the necessary paperwork.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.1	**Direct Purchasing** An OHS report of direct purchases (i.e. stock purchased outside of stores for items not held in stock) is reviewed by the Stores and Procurement Manager and Finance. Review of these reports is an essential part of the information needed to inform what stock items are necessary to hold in Stores. Outside of this, it was observed during the audit that trades staff requested purchasing staff to include certain items on stock due to their frequent use. Although it was agreed to pass these on to Stores, there is not a formal feedback process in place for trade staff to request items to become included on stock.	Work to review direct purchasing (and stock issues in general) in order to improve the stock items in use, should continue as planned. It should be decided whether there should be a set limit above which an item will be incorporated into normal stock (this could be incorporated into procedures). There should also be a more formal feedback process established for trades staff to request particular items be held on stock. **Priority: Medium**	Stores and Procurement Manager July 2016	**Agreed** **Stores and Procurement Manager:** We are on top of this and are able to produce a record of all stock issues, with direct purchase to be continually reviewed. A pro forma is being produced that will require staff to indicate non stock item(s) that are required and detail the cost, usage, and justification for why an item should be held as stock before being purchased or incorporated into stock.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.2	**Monitoring Use of Stock** So long as an S-ticket is appropriately authorised and has been attributed to a cost or job code, Stores will issue the stock. They are not in a position to know whether the stock been booked out is reasonable for their roles. This is the responsibility of the trade supervisors and managers, who should check that issues to their staff are reasonable when reviewing jobs. To determine the extent that these checks take place, a short questionnaire was produced and sent to ten Trade Managers with responsibilities for staff who access stock from Stores. However, only two were returned and it is therefore difficult to conclude on the efficacy of controls in this area. Of those returned, one confirmed that Job Processors (based in the Service Delivery office at Waterside) have the role of processing completed jobs and confirming that quantities booked to a job relate to the type of work undertaken. For the other, the supervisor counter signs all job cards to approve the materials and these are checked to ensure as far as reasonably possible that the materials booked are correct. However both accepted there is no definitive method of checking misuse and it is always possible for an employee to accumulate a certain amount of materials.	Responsibilities for Trade Supervisors to review the stock items issued to their staff should be reinforced to reduce the likelihood of staff abusing the S-ticket process. Management information available from OHS should be reviewed by Trade Supervisors to ensure that information is sufficient for this purpose. This should also be a consideration of any barcode management system that is purchased for use. **Priority: Medium**	Head of Streetsmart In conjunction with Head of Infrastructure Assets / Head of Corporate Finance April 2016	**Agreed** **Head of Corporate Finance:** Developing of these reports and the engagement with service managers is underway to ensure stock usage and direct purchases are understood.

Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.3	**Stock Take** A stocktake was conducted prior to the transfer from TASK to OPEN in March 2015. This however was not conducted independently from Stores Staff. A process for the stocktake was written but these now need to be incorporated into the updated procedures. The latest stocktake was the first one completed in a long time and although there is the intention to implement rolling stock checks in future, there is not a schedule in place to set out this plan. The Sock Controller indicated that the next stocktake will aim to coincide with the introduction of the proposed barcode system.	A suitable schedule for stocktakes should be produced and incorporated into procedures. Where possible, the stocktakes in future should be undertaken by staff independent of Stores. **Priority: Medium**	Stores and Procurement Manager June 2016	**Agreed** **Head of Corporate Finance:** It is the intention to arrange a full stock take for main stores for year end and then establish a cycle of stock takes thereafter.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.4	**Disposal** Finance Regulations state that "obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the documented procedures which are set out as appendices to the Council's Procurement Policy." However, the latest Procurement Strategy that could be found was for 2005-2010 and does not contain any reference to a disposal policy. Stores do not currently have their own policy for disposals and stock is not generally written off. Similarly, selling of obsolete stock is not actively pursued and there is not a policy or procedure for this. There is a report used by the Stores and Procurement Manager to identify slow moving items and stock status may be moved from 'live' to 'dead' (obsolete) or 'frozen' (nothing to be reordered) on the OHS system, but does not get officially disposed of.	A suitable disposal policy should be written and incorporated in to the Stores Procedures. This should include, the process that will be taken for when some money will be attempted to be retrieved for obsolete stock and when items will be written off entirely. There should be a robust process decided for how stock will be sold, including who will be involved and ensuring adequate authorisation and segregation of duties in the process. Where stock does not belong to Stores, a standard procedure should be decided for how any income received is allocated to the owner of stock / equipment. **Priority: Medium**	Stores and Procurement Manager April 2016	**Agreed** **Stores and Procurement Manager:** We are looking at a review of our procedure for disposals as part of a wider strategic review of Stores, to ensure there is a clear and documented audit trail. The preference is to sell items at auction wherever possible.

Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.5	**Fleet Imprest Stock** The imprest stock for Fleet is checked on a weekly basis by the manufacturer and items are replenished as necessary. The Fleet Buyer stated that items missing have been assumed to have been used on jobs and the Council is then charged for the use of this equipment. Although imprest stock is recorded in the Fleet Master system, access to the fleet stores is not restricted and there is no stock check undertaken to ensure that these items haven't just been taken. To improve controls in this area, there is a plan to bring the fleet stores into the current store room, where a hatch will be installed on the entrance to the fleet workshop and workers will need to book items out through stores rather than help themselves to stock. A new Fleet Master system is also being installed that will allow items to be booked out electronically, negating the use of the paper based job card system. This will improve the current lack of controls over access and job processing. However, until this takes place, the risk to stock misappropriation remains.	Fleet stock should be incorporated into the main stores as planned, as soon as possible. It should be ensured that imprest stock for fleet is checked against stock charged for by the manufacturer, to ensure invoices are genuine and has been charged to jobs. **Priority: Medium**	Stores and Procurement Manager in conjunction with Waterside Integration Programme Manager December 2015	**Agreed** **Stores and Procurement Manager / Head of Corporate Finance:** Fleet Stock has now been incorporated into the main store and all future stock for fleet will be purchased from the manufacturers directly and therefore this will eliminate the issues raised in this area.

Swindon Internal Audit Services: Stores and Equipment Management

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.6	**Fleet Job Processing** When items are booked out, the officers in the Fleet Workshop complete a job card (authorised by the Workshop Manager) and obtain the items themselves from the Fleet Store. The job cards are then left on a counter in the old stores warehouse on a clipboard. (Although it is unclear why anyone would want to take these, the job cards could be taken or lost, at any time and the system would not be able to be updated properly). The Fleet Buyer collects these job cards at regular intervals and then books out the items on the Fleet Master system and charges the items to the relevant job as indicated on the job card. At the time of auditing, the job cards had not been booked out on the system for 2 weeks, as the Fleet Buyer had just returned from leave. Nobody covers this role in his absence.	There should be appropriate cover for processing fleet issues when the Fleet Buyer is away. An appropriate person should be trained in the process when the electronic system is installed. Whilst the paper based job cards are used, an appropriate storage place for these should be identified to reduce the opportunity for these to be lost. **Priority: Low**	Stores and Procurement Manager in conjunction with Waterside Integration Programme Manager December 2015	**Agreed** **Stores and Procurement Manager:** The new Fleet Master system will negate the need for manual processing of job cards.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
3	***Risk Area: Inventory, Purchasing and Disposal of Stock and Equipment***			
3.7	**Performance Management / Culture** The Auditor was provided with many anecdotes concerning a culture of waste rife amongst staff: ○ Staff wasting expensive items from their van stock to remove components from it that would be considerably cheaper to get separately from Stores (or another supplier); ○ Staff writing an S-ticket to get protective clothing (PPE) as their current coat was soaked through; Gloves being chucked on the ground around the Depot. ○ £40,000 spent on storage heaters that are given to people who are awaiting boiler replacements in the winter that are never collected after completion of the job. The issues above are difficult to identify as stock may be issued off vans and appear reasonable. However, there may need to be a more proactive plan to improve staff performance and reduce waste.	The revised Stores Procedures should include responsibilities of staff for stock and equipment. These should be reinforced by Trade Supervisors to staff and instances of non-compliance with these procedures thereafter should be raised and escalated to Supervisors and Managers accordingly. **Priority: Medium**	Head of Streetsmart In conjunction with Head of Infrastructure Assets / Head of Corporate Finance March 2016	**Head of Corporate Finance: Agreed**

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
4	***Risk Area: Policy and Procedures***			
4.1	**Stores and Procurement Project Action Plan** The Stores and Procurement Project has an action plan highlighting key activities planned to improve processes and procedures. Most of the actions have deadlines attached, but some of these have passed with the action remaining outstanding. It is not clear for these outstanding actions what the revised timescale will be, or its impact on subsequent actions. Furthermore, although there are columns to record the cost and resource implications of each action, as well as the planned savings, these columns are blank. There are columns to record the potential risks and mitigating actions for activities, but these are only complete for 2 of 70 outstanding actions.	The Stores project action plan should be updated and appropriate information regarding revised timescales, resource and risk should be included and monitored going forward. **Priority: Medium**	Stores and Procurement Manager in conjunction with Head of Corporate Finance May 2016	**Agreed** **Head of Corporate Finance:** Following some structural changes the project plan will be revisited and refreshed.
4.2	**Procedures** The procedures for Stores are out of date. These are currently in the process of being reviewed and rewritten by the Stores and Procurement Manager and the Stock Control Manager.	The Stores procedures should be updated. This should include all processes covered by Stores and where necessary incorporate the recommendations from elsewhere in this action plan. **Priority: Medium**	Stores and Procurement Manager June 2016	**Agreed** **Head of Corporate Finance:** A full process review is underway which will lead to process improvements and provide up to date procedural guidance.

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
5	***Risk Area: IT Systems and Management Information***			
5.1	**Reporting Restrictions - DATAstox** The Horticultural Supervisor is the only person trained in using DATAstox and accesses this system using a former employee's User ID and password. The back-up arrangements for this software are unknown and the software licence has expired and is no longer supported by the supplier. As noted in AP1.1, an up to date list of quarantined items was requested from the Horticultural Supervisor, but it was stated that the report could no longer be run. It was speculated by the Supervisor that this was because the DATAstox system is outdated and unsupported; however it is unclear why this would affect the ability to run reports.	A review of the use of the DATAstox system should be conducted to determine whether it is the most appropriate software for use at the Depot. If it is, then this should be properly backed up and supported by the Supplier or Capita. An opportunity exists to ensure this requirement is considered when assessing options for a new barcoding system within Stores. Going forward, access to the DATAstox software (or equivalent) should be properly controlled with specific User IDs and passwords given to staff with instructions not to share access. More than one member of staff should be trained in using the DATAstox system to provide cover should the Horticultural Supervisor be unavailable. **Priority: High**	Stores and Procurement Manager In conjunction with Waterside Integration Programme Manager August 2016	**Agreed** **Stores and Procurement Manager:** A business case is in draft outlining the intention of introducing an electronic barcoding and stock management system, for which DATAstox is a potential supplier. As Stores will administer the equipment management process in future (see AP1.1), if the business case is successful, DATAstox could continue to be used to support the equipment management process, albeit with an up to date and supported system. **Head of Corporate Finance:** Refer to AP1.1

Ref.	Finding	Recommendation	Responsible Officer and Timescale	Management Response
5	***Risk Area: IT Systems and Management Information***			
5.2	**Reporting Restrictions - OHS** OHS has been used for Stores since April 2015. There are many reports available for measuring performance and management's requirements for information are being continually reviewed between Stores, Trade Teams and the Systems Development Team in Housing. However, there are some gaps: • The Auditor attempted to obtain a report showing which Officers have access to the purchasing, stock and invoice processing modules within OHS. A report can apparently be written to show this, but was not provided at the time of writing and therefore it could not be substantiated whether access is reasonable and restricted to authorised personnel. • Although reports can be run for each individual van and for the main stores, there are sub-locations which are classified all together under the location 'main.' It is not possible at present to run a report showing stock held in each of these sub-locations. • A report that shows stock levels vs. min/max ordering levels is not available.	Those with access to the purchasing, stock and invoice processing within OHS should be identified to ensure that this is reasonable. It should be identified whether it is possible to run the following reports: • Stock held by physical location • Stock levels vs. minimum / maximum stock levels. If available, these should be reviewed regularly to ensure that the level of stock held outside of main stores is monitored and to ensure stock levels are held in accordance with set limits. **Priority: Medium**	Systems Development Manager in conjunction with Stores and Procurement Manager May 2016	**Agreed** **Stores and Procurement Manager:** Since the transfer to OHS there have been real problems with some reporting. For example, stock descriptions in some reports do not match the stock number *(Audit Comment: this is also an issue identified in reports obtained from OHS by Internal Audit)*. In other reports, items are identified as being on order that have never been ordered. There is therefore more work required to ensure system reporting is fit for purpose. **Head of Corporate Finance:** It should be possible to identify stock by physical location if it is set up that way in the system; it effectively needs to be set up as a separate warehouse in the same was as is one for imprest van stock.

APPENDIX A

Standard Audit Opinions

The audit opinion is based on two different criteria the first is materiality of the system and its impact on the Council if there was a system failure. This has been split into High, Medium or Low.

The second criteria is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and fundamental weaknesses identified. Each of these categories has a standard opinion (see below).

The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see Overall Opinion section in the main report).

Standard Audit Opinion System Control
Audit Opinion 1. ***High standard*** The auditor completing the review concluded the significant controls are in place and operating effectively and only minor recommendations have been made
Audit Opinion 2. ***Satisfactory standard*** The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.
Audit Opinion 3. Significant improvements required The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.
Audit Opinion 4. ***Fundamental weaknesses identified*** The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

APPENDIX B

Acknowledgements

Internal Audit would like to acknowledge and thank the following Officers who contributed to the review:

Job Title
Stores and Procurement Manager
Stock Controller
Storeperson Supervisor
Purchasing Office Supervisor
Accounts Payable
Buyer
Fleet Buyer
Horticultural Supervisor
Capita Repairs Manager
Electrical Compliance Surveyor
Finance Manager
Systems Development Manager
Security Manager