

Internal Audit report – Stores and Equipment Management

Audit Committee

Date: 21st February 2017

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. The Internal Audit report on Stores and Equipment Management was presented to the June 2017 meeting. At that meeting Members requested that Internal Audit carry out a follow-up review and report back to their February 2017 meeting.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Background

- 3.1 An audit review of Stores and Equipment Management was included in the audit plan for 2015/16 following an investigation in to an allegation of fraud in that area.
- 3.2 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.
- 3.3 Following the reintegration of Swindon Commercial Services with the Council 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.

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- 3.4 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.
- 3.5 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.

4. Findings

Initial Internal Audit report (March 2016)

- 4.1 The key findings from the Internal Audit review were:
- 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

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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.

4.2 The audit opinion regarding internal controls was that significant improvements were required resulting in an overall opinion of 'Of Concern'

4.3 The full Internal Audit report was presented to Audit Committee in June 2016. Members requested that internal Audit complete a follow-up review in order to establish what progress has been made against agreed recommendations.

Internal Audit follow-up review

4.4 The follow-up review has now been completed. The key findings of the review are:

- There has been clear engagement of responsible officers to undertake improvements and implement the previous recommendations from the original audit. As a result fourteen of the eighteen recommendations made in the previous audit have either been implemented or are in the process of being implemented.
- One key recommendation has yet to be fully implemented. This relates to the introduction of a new tool and plant equipment register. An old and unsupported version of DATAstox is still currently in use as the equipment management system and therefore the inherent risk to the safety of staff (and to the exposure to the Council that this presents) means it is not appropriate to change the level of audit opinion at this stage. It should be clear that the responsibility for this recommendation is the Fleet and Workshops Team, who are progressing with the process of implementing a new software system. It is understood that this system has received IT approval and will now be procured, after which further time will be required to ensure records going forward are up to date and reliable.
- The follow-up has found that there are no high risk area recommendations outstanding relating specifically to stores. Lower priority recommendations that are not yet fully implemented are considered to be in hand and covered within the Stores action plan.

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4.5 The full follow-up audit report is attached as Appendix 1.

5. Alternative Options

5.1 Not Applicable

6. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

6.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

6.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

6.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

6.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

6.5 Not Applicable

Risk Management

6.6 Not applicable

7. Consultees

7.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

8. Background Papers

8.1 None

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9. Appendices

Appendix 1: Internal Audit follow-up report: *Stores and Equipment Management*
(February 2017)