

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Title of the Audit: Corporate Review – Management of Stock

1. Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of the processes in place in relation to the management of stock.
- 1.2 A sample of four sites were selected, two from Development and Regeneration Services and two from Neighbourhoods and Sustainability. The systems in place at these sites were reviewed and sample testing was undertaken on stock held. We also included a review of moveable assets at one location.
- 1.3 The scope of the audit was to gain assurance that key aspects of the Council's asset and stock management arrangements were operating effectively and to review the extent to which these arrangements ensure that assets and stock are adequately secured, accounted for and reviewed on a regular basis. This included reviewing:
- documented stock management processes and procedures;
 - the maintenance of stock records;
 - procedures for receipting and issuing stock;
 - security, access and storage arrangements;
 - valuation basis of stock; and
 - stock take arrangements.

2. Audit Opinion

- 2.1 Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements and six recommendations which management should address.

3. Main Findings

- 3.1 We are pleased to report that there are a number of areas where key controls are in place and are generally operating effectively. We noted for the four sites visited:
- arrangements for identifying stock re-order levels have been developed which minimise the risk of insufficient or excessive levels of stock being held;
 - arrangements were in place to ensure that volumes of stock held were generally kept to an optimum level and therefore scope for high levels of slow moving or obsolete stock were limited;
 - appropriate arrangements had been established to ensure stock was held securely and access restricted to authorised personnel;
 - effective controls were in place to ensure that stock records maintained were secure and could only be accessed by authorised personnel, and
 - appropriate arrangements had been developed for regularly backing up stock records to minimise the risk of

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loss of information.

3.2 However we noted a number of areas where there is scope for improvement including:

- no formal documented procedures for stock management or stock disposal in place;
- appropriate procedures for ensuring adequate segregation of duties between ordering and receiving stock items and for updating stock records had not been adopted in three of the four sites visited;
- although stock records are maintained these are not always updated promptly when stock is delivered, issued or transferred between sites, and
- regular stock counts were not always being undertaken and where stock counts were undertaken, adequate documentation was not maintained.

3.3 An action plan is provided at section four outlining our observations, risks and recommendations. We have made six recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	6
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.4 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.5 We would like to thank officers involved in this audit for their cooperation and assistance.

3.6 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Fully documented procedures are in place which specify the processes for dealing with stock movements.				
1	<p>Whilst at some locations, due to staffing numbers, it may not be practical to ensure there is full segregation of duties in place, we identified scope to improve segregation of duties in relation to stock in three of the four sites reviewed. In particular we noted occasions where the same officer could be responsible for receiving and issuing stock items and undertaking stock checks.</p> <p>Without appropriate segregation of duties there is an increased risk of stock being misappropriated.</p>	<p>Management should review procedures across all sites where stock is held and ensure that, where possible, appropriate action is taken to ensure that segregation of duties is in place and the same staff are not responsible for placing orders, receiving goods when delivered and also updating stock records and balances.</p>	Medium	<p>Response:</p> <p>NS location 1 - We will implement a stock audit /check on an annual basis. This will consist of both the Senior stores supervisor and an independent transport services officer to carry out this action point.</p> <p>NS2 - Member of staff ordering and receipting on PECOS will be different.</p> <p>DRS 2 - most stock checks are undertaken by bar team leaders at close of business each day, the cellarperson is one of these people but not at all times in all areas. These are checked by management when compiling stock purchase requirements to ensure orders are in-line with events / tickets sold etc. Management and cellarperson co-ordinate all stocks from store to bars in-line with sales. While these records are not retained when areas are restocked a system can be put in to do so going forward.</p> <p>Officer Responsible for Implementation: NS1 – Waste Operations Manager NS2 – Assistant Lab Manager DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: NS1 - 30 March 2020 NS2 – 31 December 2019</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
				DRS2 – 1 April 2020
Key Control: Fully documented procedures are in place which specify the processes for dealing with stock movements.				
2	<p>Although each of the sites visited had developed systems and processes for monitoring and reviewing stock there are currently no formal, documented stores or stock control procedures in place.</p> <p>Without documented procedures there is an increased risk of inconsistent practices being adopted across the Council or of practices which do not incorporate key controls being adopted.</p>	<p>Management should ensure that stock management procedures are developed and issued to all sites where stock is held.</p>	Medium	<p>Response: NS1 – accepted NS2 – Current processes will be updated to ensure that stock sheets include the amount of stock remaining. When reviewed by the stock control responsible person they will record whether the stock check was satisfactory on stock sheet then these sheets will be saved in EDRMS.</p> <p>DRS2 – Current processes and procedures will be updated to ensure that where stores contain items that could be removed and / or are not directly linked to production areas and are taken to different areas across a site a more formal documented store record will be developed.</p> <p>Officer Responsible for Implementation: NS1 – Waste Operations Manager NS2 – Assistant Lab Manager DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: NS1 – 30 March 2020 NS2 – 31 December 2019 DRS2 – 31 March 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: There is an adequate process for requesting and issuing stock.				
3	<p>For three of the sites visited, due to the nature of the stock and equipment, only limited stock systems are maintained. As a result stock records maintained in two of these sites are not updated when stock is received into or issued from stores. We also noted, within one of the sites visited, the quantity or volume of stock held within the store areas are not recorded and it would not therefore be possible to easily identify missing items.</p> <p>Without appropriate procedures for recording stock movements there is an increased risk of items being lost or misappropriated without notice or appropriate action being taken.</p>	<p>Management should ensure that for all sites, where stock is held, clear stock records are maintained which accurately record the amount of stock held. Appropriate procedures also need to be implemented to ensure that stock records held are updated promptly when stock is delivered and issued to enable any issues arising to be identified and resolved promptly.</p>	Medium	<p>Response: NS2 - Stock sheet to be amended to include the amount of stock remaining and issues where a shortfall is noted by the individual responsible for will be investigated by a manager. Stock checks were carried out by stores person but no mechanism for recording all was satisfactory was recorded. Such information will be recorded on the stock control sheet now.</p> <p>DRS2 - stock orders are compiled each week to meet demand levels. Stock orders sheets received from bars each close of business can be retained to consider if / when needed.</p> <p>Officer Responsible for Implementation: NS2 – Assistant Lab Manager DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: NS2 - 31 December 2019 DRS2 – 1 April 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<p>Key Control: A regular stock take is completed by an independent party to verify the stock values recorded.</p>				
<p>4</p>	<p>There is scope for improvement in the procedures for undertaking and recording the results of stock counts. Two of the sites reviewed do not currently undertake periodic stock counts and although regular stock counts are undertaken at the other two sites, documentation recording who was responsible for undertaking the stock counts, whether any variances were identified or what if any action was taken as a result are not currently retained.</p> <p>If regular stock counts are not undertaken there is an increased risk of stock records not accurately reflecting stock held or of stock being misappropriated without notice.</p>	<p>Management should ensure that robust stock count procedures, appropriate to the type and value of stock held, are implemented across all sites. Management should also remind staff of the importance of ensuring stock is reviewed and checked on a periodic basis and of retaining appropriate documentation which records who was responsible for undertaking the stock count, any variances identified and action taken as a result.</p>	<p>Medium</p>	<p>Response: NS1 - We will implement a stock audit /check on an annual basis. This will consist of both the Senior stores supervisor and an independent transport services officer to carry out this action point. Please also note GCC do not own the majority of stock as this is owned by our contractor who have a stores person on site.</p> <p>DRS1 – additional columns will be added to the stock sheet to note any discrepancies and action taken.</p> <p>DRS2 - manual stock sheets can be retained for future reference.</p>

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				<p>Officer Responsible for Implementation: NS1 - Waste Operations Manager DRS1 – Operations Support Manager DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: NS1 - 31 March 2020 DRS1 – 20 December 2019 DRS2 – 1 April 2020</p>
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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: There are robust controls in place to manage and monitor stock items transferred between sites.				
5	<p>We noted for one location, stock is regularly transferred between sites. Details of transfers between sites are recorded on stock sheets, which are prepared on a weekly basis both at the issuing and receiving sites. However we noted that transfer requests are often made verbally and therefore no documentation is prepared at the time of transfer which details the items and amounts to be transferred nor is there any documentation prepared or retained which demonstrates that the items, when delivered to the receiving site, have been checked and agreed.</p> <p>Without appropriate documentation which records stock transfers, disputes arising may be more difficult to resolve and there is an increased risk of misappropriation.</p>	<p>Management should review arrangements for making stock transfers to ensure that requests for transfer of stock between sites are made in writing and documentation is developed and retained which confirms that transfers have been checked and agreed by an appropriate officer when delivered.</p>	Medium	<p>Response: DRS2 – stock to be moved is currently communicated /recorded within email by manager and sent to site manger receiving to ensure no discrepancies occur. Including this as a formal record can be adopted.</p> <p>Officer Responsible for Implementation: DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: 1 April 2020</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Procedures and controls have been established which ensure only appropriate obsolete or damaged stock is disposed of.				
6	<p>Although all of the sites visited had developed processes to ensure that suitable stock levels were maintained, none of the sites had formal procedures for disposing of or writing off obsolete, slow moving or damaged stock and none of the sites were aware of the need for senior officer authorisation for significant disposals or write-offs. We also noted that although a process has been developed for reviewing and making decisions on whether or not to dispose of damaged equipment, this process is mainly undertaken verbally and there is therefore limited documentary evidence supporting decisions made, where necessary, to write off damaged or obsolete equipment.</p> <p>Without appropriate procedures for disposing of or writing off stock there is an increased risk of items which still have a business use being disposed of without reason or of stock being misappropriated.</p>	<p>Management should ensure that procedures for disposing of or writing off obsolete, slow moving and damaged stock or equipment are developed and circulated to relevant staff and sites. Procedures should include ensuring that appropriate written documentation, which records decisions made, is maintained and, where appropriate, authorisation is obtained in relation to disposing of or writing off stock and equipment.</p>	Medium	<p>Response: NS1 – The store section can run a report from the servitor system which will be passed to management for review. Where parts are identified for disposal these will be auctioned. NS2 - All equipment for the site is disposed and recorded in our Laboratory Information Management System. DRS2 – a sign off process for obsolete stock as well as damaged stock and food waste will be developed in conjunction with Facilities Management Catering to enable a shared record format and process to be adopted. For light equipment a minimum value will be identified for recording purposes and a coordinated process developed across the department.</p> <p>Officer Responsible for Implementation: NS1 – Waste Operations Manager NS2 – Assistant Lab Manager DRS2 – Senior Operations Manager</p> <p>Timescale for Implementation: NS1 – 30 March 2020 NS2 – 31 December 2019 DRS2 – 30 March 2020</p>