

# CBSL

## Compliance Review of the Stock & Stores Arrangements

Police and Crime Commissioner for  
Wiltshire and Chief Constable of Wiltshire  
Police

# FINAL



June 2013

2012/13

# Compliance Review of the Stock & Stores Arrangements

## - EXECUTIVE SUMMARY -

### INTRODUCTION

1. We have carried out a compliance review of the Stock & Stores arrangements at Wiltshire Police Authority. The review was carried out in March 2013 as part of the 2012/2013 Internal Audit Plan. A previous compliance review was undertaken in November 2009 and a Stock management review in September 2011.
2. One Key Risk Control Objective was tested and based on the findings from this work an overall evaluation of the overall compliance with the core internal controls was established. The (C) after the evaluation indicates that the assessment is from the compliance work only and not from a review of the system (figure 1 below).

Figure 1 - Evaluation of the Effectiveness of the Internal Controls



### KEY FINDINGS

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed by the Authority for their full impact before they are implemented. The priorities of the recommendations are summarised below (figure 2):

Figure 2 - Summary of Priorities of Recommendations

Urgent	Important	Routine	Operational
2	3	4	1

### RELEASE OF REPORT

4. The table below sets out the history of this report.

Date draft report issued:	29 <sup>th</sup> April 2013
Date management responses recd:	6 <sup>th</sup> June 2013
Date final report issued:	6 <sup>th</sup> June 2013

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**MANAGEMENT ACTION PLAN**  
**PRIORITY 1, 2 AND 3 RECOMMENDATIONS**

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	If the problem is not resolved by the end of the month, which is the end of the financial year, then the quantities and their respective unit prices will have to be manually calculated to determine an overall stock valuation to be provided to the Finance Department as a stock valuation for the annual accounts.	If the problem is not resolved by the end of the month, which is the end of the financial year, then the quantities and their respective unit process be manually calculated to determine an overall stock valuation to be provided to the Finance Department as a stock valuation for the annual accounts. When the system is resolved then the quantities will have to be input into Agresso and a revised stock valuation can then be determined (taking into account any goods received and stock issues). The revised figure must then be provided to the Finance Department.	1	Full report to be taken to the June Audit Committee Meeting.		

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	At the time of the audit the report sent to Unit 4 by the Supplies Manager on the stock data was reviewed and a total stock item count of 24,027 was established from the spreadsheet. A report from Agresso was then obtained for period 1 (first period of the new system) and all data with an order number of 700000, which was the order given for the opening stock, was filtered and calculated. All other data in period one (issues and stock received) was subsequently removed. This amounted to 23,142, a difference of 385 stock items. This was calculated to over £3,477.	Unit 4 be contacted with a view to import the missing opening stock data and to establish why a check was not made to reconcile the closing data from Tranman to the opening data on Agresso.	1	Full report to be taken to the June Audit Committee Meeting.		
1	The Fleet & Services Department documented a Stores Policy and Procedures in July 2011. The Policy is available on Firstpoint. The document will need to be reviewed and updated to reflect the new system changes.	The Stores policy and Procedure be reviewed and updated to reflect current arrangements.	2			

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.	<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.	<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	It was evident during the review that further training is required for all staff using the system.	Further training be provided to all relevant Fleet and Services Staff on the stock module of Agresso.	2	Full report to be taken to the June Audit Committee Meeting.		
6	No intermediate stock checks have been carried out since the implementation of the new system, only one off random checks.	Intermediate stock counts be re-commenced when the system problems have been resolved.	2			
3	All stock count paperwork, manual valuation calculations and system generated stock valuations need to be retained for audit purposes.	All stock count paperwork, manual valuation calculations and system generated stock valuations be retained for audit purposes.	3			
7	As stated it was difficult to undertake many stock checks due to the system problems. A sample of 10 stock items from the recent stocktake was selected and verified to the expected stock quantity on Agresso.	The stock discrepancy on product code be investigated further on Agresso and appropriate amendments be auctioned.	3			

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	A review of the stock issues file for January to date revealed the system was not updated for stock issued on 09.01.13, 14.01.13 and 16.01.13 to 24.01.13 until 19.02.13.	Issues of stock items be booked onto the stock system in a more timely manner.	3	Full report to be taken to the June Audit Committee Meeting.		
9	The review of the file also revealed that signatures of Officers and staff are not always obtained when stock has been issued.	All relevant staff be reminded that signatures be obtained for all stock issues.	3			

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Compliance Review of the Stock & Stores Arrangements

**OPERATIONAL EFFECTIVENESS MATTERS**

Ref	Item	Management Comments
1	Consideration be given to incorporating a further review of the stock 7 stores arrangements to provide assurance of the effectiveness of the stock controls and the effectiveness of the new system.	<i>Full report to be taken to the June Audit Committee Meeting.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis

## Compliance Review of the Stock &amp; Stores Arrangements

**- DETAILED REPORT -****SCOPE AND LIMITATIONS OF THE REVIEW**

5. The review considers identification of any significant changes to the system and assess the implications of these changes on the effectiveness of the control framework. The review concentrates on testing to assess whether the controls are operating continuously and effectively. The review does not consider identification of system controls other than where there have been significant operational changes since the previous system review.
6. The review has been carried out by TIAA Ltd as the nominated sub-contractor of Capita Business Services Ltd ('CBSL'). The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.
7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. CBSL and TIAA neither owe nor accept any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

**ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVE**

8. This review identified and tested the controls that are being operated by the Authority and an assessment of the combined effectiveness of the controls in mitigating the key control risks is provided. The assessments are:

<b>Substantial Assurance</b>	<b>robust series of internal controls in place designed to achieve the system objectives and which are being consistently applied.</b>
<b>Reasonable Assurance</b>	<b>series of internal controls in place, however there are some control improvements that would assist in which ensuring the continuous and effective achievement of the system objectives.</b>
<b>Limited Assurance</b>	<b>the controls in place are not sufficient to ensure the continuous and effective achievement of the system objectives.</b>
<b>No Assurance</b>	<b>fundamental breakdown or absence of core internal controls.</b>

**MATERIALITY**

9. The stockholding for the General Stores was reported as £324,312 as at 31<sup>st</sup> March 2012 compared to £355,364 for the 31<sup>st</sup> March 2011. At the time of the review the Agresso system valued the stockholding as £420,450; however this cannot be relied upon due to the current system problems. For the purpose of this report the word 'issues' relates to stock issued out to officers and staff in order not to confuse recipients of this report with the problems being encountered at present with the system.



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AUDIT FINDINGS

<b>Risk</b>	<b>Losses arising in the process from unauthorised action.</b>
<b>Risk Control Objective</b>	<b>Arrangements in place for the process provide for compliance with the procedures designed to safeguard the organisation’s assets and interests from avoidable losses.</b>
<b>Evaluation</b>	<b>Limited Assurance</b>

10. The following matters were identified in reviewing the Key Risk Control Objective:

**Risk: Previous internal audit recommendations have not been actioned fully leading to inappropriate transactions being processed.**

10.1 A compliance review of the Stock & Stores arrangements was carried out in November 2009. There were 6 recommendations identified during the review, all of which have now been implemented.

**Risk: Failure to direct the process through approved policy & procedures.**

10.2 The Fleet & Services Department documented a Stores Policy and Procedures in July 2011. The Policy is available on Firstpoint. The document will need to be reviewed and updated to reflect the new system changes.

<b>Recommendation: 1</b>	<b>Priority: 2</b>
<b>The Stores policy and Procedure be reviewed and updated to reflect current arrangements.</b>	

10.3 A new stock Management system was implemented in April 2012, which is a module within the new Agresso system. All stock items have been renamed to a generic description to correspond with Dorset Police Authority. Each item has been allocated a product code.

10.4 A full stock count was undertaken between 13<sup>th</sup> and 15<sup>th</sup> March 2013, however none of the physical count data was input in to Agresso due to a problem with stock items displaying a negative stock quantity and therefore no valuation has been determined. This problem was identified and conveyed to a Unit 4 Consultant on 8<sup>th</sup> March 2013; however the Consultant could not log into the system to determine the issue and resolve accordingly. The Consultant was made fully aware of the forthcoming stocktake and stated that the problem would not be resolved in time and that the Authority could not use the system to provide a stock valuation. At the time of the review 18<sup>th</sup> March, the problem was not resolved. Stock issued out to Officers and staff and stock received has not been input until the problem is resolved.

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- 10.5 If the problem is not resolved by the end of the month, which is the end of the financial year, then the quantities and their respective unit prices will have to be manually calculated to determine an overall stock valuation to be provided to the Finance Department as a stock valuation for the annual accounts. The use of an excel spreadsheet could assist in this process. When the system is resolved then the quantities will have to be input into Agresso and a revised stock valuation can then be determined (taking into account any goods received and stock issues). The revised figure must then be provided to the Finance Department who will make an appropriate decision to change from the original valuation depending on the materiality of the variance.

**Recommendation: 2****Priority: 1**

**If the problem is not resolved by the end of the month, which is the end of the financial year, then the quantities and their respective unit process be manually calculated to determine an overall stock valuation to be provided to the Finance Department as a stock valuation for the annual accounts. When the system is resolved then the quantities will have to be input into Agresso and a revised stock valuation can then be determined (taking into account any goods received and stock issues). The revised figure must then be provided to the Finance Department.**

- 10.6 All stock count paperwork, manual valuation calculations and system generated stock valuations need to be retained for audit purposes. This may be a requirement of the External Auditors depending on the materiality of the difference in both valuations if this is what occurs.

**Recommendation: 3****Priority: 3**

**All stock count paperwork, manual valuation calculations and system generated stock valuations be retained for audit purposes.**

- 10.7 Also at the time of the review there were other problems experienced by Fleet & Services. These included:
- Order number 301034 was still outstanding and although received it could not be 'booked in' as received; hence the expected stock count for these product items is inaccurate.
  - VAT costs are not always appearing on purchase orders. Some purchase orders, number 301424 for example displays VAT for some lines and not for others even though it is for the same product but different sizes.
  - Prices are not always correct on purchase orders.
  - Negative stock quantities are being displayed where stock items have been re-allocated a different bin number (location number). If stock is issued from the old bin number in error, the system is supposed to recognise that the old bin number has been closed and default any stock issues to the new number.

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The system currently shows negative and positive stock quantities for the same product code.

- Negative stock quantities are also being displayed for imprest stock items which are not defaulting to the new central stores location.

All these problems have been conveyed to Unit 4 and as a result substantive testing could not be undertaken and was therefore very limited.

- 10.8 It was evident during the review that further training is required for all staff using the system. The Supplies Manager stated that the Consultant from Unit 4 had also stated that this was a requirement.

**Recommendation: 4**

**Priority: 2**

**Further training be provide to all relevant Fleet and Services Staff on the stock module of Agresso.**

- 10.9 All the stock data from the previous Tranman system was populated in to an Excel spreadsheet in a designated format required by Unit 4 by the Supplies Manager. The data was then imported into Agresso as the opening stock by Unit 4. There were no checks undertaken by Fleet & Services management at the time of the transfer of data because no training had been given at that on viewing and running of reports and access to the system was not fully operational until October 2012. Also there was no formal confirmation from Unit 4 that the data had been accurately imported.
- 10.10 At the time of the audit the report sent to Unit 4 by the Supplies Manager on the stock data was reviewed and a total stock item count of 24,027 was established from the spreadsheet. A report from Agresso was then obtained for period 1 (first period of the new system) and all data with an order number of 700000, which was the order given for the opening stock, was filtered and calculated. All other data in period one (issues and stock received) was subsequently removed. This amounted to 23,142, a difference of 385 stock items that are missing from the closing stock to the opening stock. This was calculated to over £3,477.

**Recommendation: 5**

**Priority: 1**

**Unit 4 be contacted with a view to import the missing opening stock data and to establish why a check was not made to reconcile the closing data from Tranman to the opening data on Agresso.**

- 10.11 All orders are currently carried out by Supplies Manager on the new Agresso Stock Management system. Each order raised must be approved by the next level of management before it can be completed and sent to any supplier. All orders raised by the Supplies Manager are approved by the Fleet & Services Manager. A new Stores Manager is due to commence in April 2013, who will be responsible for raising orders which will be approved by the Supplies Manager or by the Fleet & Services

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Manager in the absence of the Supplies Manager Any orders over £25,000 must be authorised by Head of Finance & Logistics or above.

- 10.12 No intermediate stock checks have been carried out since the implementation of the new system, only one off random checks.

**Recommendation: 6**

**Priority: 2**

**Intermediate stock counts be re-commenced when the system problems have been resolved.**

- 10.13 As stated it was difficult to undertake many stock checks due to the system problems. A sample of 10 stock items from the recent stocktake was selected and verified to the expected stock quantity on Agresso. Only 1 item displayed a negative stock quantity. The table below sets out the findings:

Product Code (a)	Description (b)	Amount per stocktake (c)	Amount per Audit Check (d)	Expected quantity on Agresso (e)	Diff (d-e)
ARV2012/S	Pull on HD Vent Thermal Top, black - Small	3	4	3	+1
GUM2016/3XL	Shirt male Black wicking police zip neck short sleeve - XXXL	10	16	22	-6
GUX2022/L	Polo shirt Staff blue - size large	10	10	10	-
PSU4010/10	Boots PSU – Size 10	1	1	-1	2
PSU4010/11	Boots PSU – Size 11	2	2	2	-
GUM2019/16.5	Shirt Male short sleeve white – size 16.5	9	9	32	-23
GUX8010/40	Belt Leather – Size 40	28	28	27	-1
GUM5010/010	Gloves Black Male – Size 10	23	23	22	+1
GUM5010/08	Gloves Black Male – Size 8	20	20	16	+4
CUS1010/04	Tea Bags – PG tips (box)	12	12	9	+3

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The differences of the stock count to the audit checks were amended on the stock sheets in readiness for input in to the system.

**Recommendation: 7** **Priority: 3**

**The stock discrepancy on product code be investigated further on Agresso and appropriate amendments be actioned.**

- 10.14 A sample of 10 purchase orders was selected and each one was receipted on Agresso in a timely manner after receipt of the order.
- 10.15 The Supplies Manager confirmed that no write-offs of stock have been completed in this financial year due to the problems and concerns of the system.
- 10.16 The Fleet & Services department has also experienced resource problems, which resulted in a several months of stock issues not being input into Agresso in a timely manner. A temporary member of staff has assisted in inputting the data in time for the recent stocktake. A review of the stock issues file for January to date revealed the system was not updated for stock issued on 09.01.13, 14.01.13 and 16.01.13 to 24.01.13 until 19.02.13. The delay in inputting issues of stock can affect the order proposals as wrong orders can be raised due to the minimum/maximum stock levels would be inaccurate.

**Recommendation: 8** **Priority: 3**

**Issues of stock items be booked onto the stock system in a more timely manner.**

- 10.17 The review of the file also revealed that signatures of Officers and staff are not always obtained when stock has been issued. Six examples were identified and brought to the attention of the Fleet & Services Manager.

**Recommendation: 9** **Priority: 3**

**All relevant staff be reminded that signatures be obtained for all stock issues.**

- 10.18 Given the issues with the system and the inability to undertake sufficient testing it would be prudent to include another review in the audit plan for 2013/14 to provide assurance of the effectiveness of the internal controls surrounding the stock environment.

**Operational Effectiveness Matter: 1**

**Consideration be given to incorporating a further review of the stock 7 stores arrangements to provide assurance of the effectiveness of the stock controls and the effectiveness of the new system.**

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