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## STORES AND STOCKS ARRANGEMENTS

### Purpose

1. In June 2013 the Independent Audit Committee received CBSL's report on Stock and Stores. The evaluation from CBSL was LIMITED ASSURANCE
2. In response to this outcome the Independent Audit Committee asked for a report at the September meeting on the progress made in resolving the reported weaknesses.

### Background

3. Part of the new Agresso finance system was an integrated stock system. This is the first time the Force's stock system has been linked to the wider Finance System (purchase ledger, general ledger, etc.) Since the implementation in April 2012 the Stock and Stores system has not been as effective as the Force expected.
4. The Audit reports over the last 18 months have reported the problems and this year a *Limited Assurance* report was received from Internal Audit. For clarity the definition of the assurance levels are shown below;

Substantial Assurance	Robust series of internal controls in place which should ensure continuous and effective achievement of the control objective.
Reasonable Assurance	Reasonable number of internal controls in place however may not be operated all the time.
Limited Assurance	The controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.
No Assurance	Fundamental breakdown or absence of core internal controls.

### Progress Made

5. In July 2013 the system providers (Unit 4) Head of Public Sector Sales and our client support were requested to attend a meeting at Devizes. At the meeting the problems with the stores system were illustrated. Unit 4 accepted that these issues were not acceptable and it was negotiated that a new consultant be tasked to look into the problem.
6. In the following week the new consultant started work at Devizes. After investigation he confirmed that the system set up was unusual and that a problem existed. He suggested that the only way to resolve the problem was to reset the system; however this would require the Force removing all stock from the system. Once the system was reset the stock would then need to be booked back in.

7. Whilst this solution would be time consuming no other option could be identified. It was also decided that it was appropriate to undertake a full stock check at this time to ensure that the starting data entered was valid. The stock check took place over the weekend commencing the 10 August.
8. On the 12 August all stock was written out of the system. During the next week the new stock levels were entered. On the 20 August this process was finalised. The new stock holding, with validated unit rates, at that date was £351,000. The stock written out of the system had a value of £355,000 therefore a £4,000 difference. In the opinion of the consultant this small variance showed that very few errors had occurred in the 18 months since the system was introduced.
9. The system is now up to date and can produce the necessary stock reports for management of stock to take place. The Head of Finance is now receiving monthly reports on the total stock level with a desire to reduce the amount and value of stock held.

### **Review of Audit Recommendations**

10. Appendix A identifies the recommendations made in the Audit report. Under the management comments the current situation has been entered. This shows that 8 of the 9 recommendations have been resolved.
11. The remaining 1 action is expected to be resolved by the end of October.

### **Conclusion**

12. The committee is asked to note;
  - a) the actions taken.
  - b) that 8 of the 9 recommendations have been resolved.
  - c) that the remaining action will be checked in the follow up report by Internal Audit later in the financial year.

**Clive Barker**  
Head of Finance and Logistics

**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	<p>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.</p>	<p>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.</p>	1	<p><i>Year end has occurred and no problems resulted – issue resolved</i></p>		

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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	<i>All stock has been removed from the system and been replaced by the actual stock levels at the 12 August – issue resolved</i>		
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	<i>Complete and now published on the Stores Intranet site – issue resolved</i>		
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	<i>Since re-set of the system staff are now more confident in using the system – a full review will occur in October</i>		
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 recommended when the system problems have been resolved.	2	<i>Intermediate checks are planned for each quarter – issue resolved</i>		

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
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	<i>The paperwork for the August check has been retained and all future paperwork from checks will be filed – issue resolved.</i>		
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 stock take 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	<i>Only a small discrepancy in value was identified and the re-entering of actual data has occurred – issue resolved</i>		
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	<i>This is now being undertaken in a timely manner, if the system is more than 7 days behind the Fleet and Stores Manager will be informed and asked to resolve the issue as a priority – issue resolved</i>		
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	<i>The staff have been reminded of this requirement – issue resolved</i>		