

CYNGOR SIR POWYS COUNTY COUNCIL.

**AUDIT COMMITTEE
12th January 2012**

REPORT AUTHOR: Internal Audit Manager

**SUBJECT: Adverse Internal Audit Reports Quarter 3 2011/12
ROCC System Stores**

REPORT FOR: Information

Introduction

ROCC Uniclass is the "Back-End" system used by Highways to manage all functions relating to the control of stock. It is an all encompassing job costing system written specifically for the local authority highways market. It is capable of managing all functions ranging from planned and responsive maintenance works through to cyclic inspections, mobile working, asset management and incident management.

ROCC Uniclass is fully capable of providing the basis for a sound and effective system of stock control. As with all computer systems, it can only be as effective as the quality of information that is stored in it. ROCC is currently not being used to its full potential and from discussions with Highways staff working in the Depots, there would appear to be a lack of appreciation of the functionality of ROCC in terms of management reporting, stock replenishment etc.

Findings

It was apparent early on in the audit that the procedures for stock control were less than adequate. Management were aware of this and have already put in place arrangements to introduce a new method of stock control. The intention of the report is therefore not to repeat what is already known, but to try to identify why the current system is not working and if possible identify weaknesses that can be addressed prior to the implementation of any new system. These key points are identified in the paragraphs below.

Roles and responsibilities within Highways Depots for the safekeeping and storing of stock have not been clearly defined. However, it is recognised that this may be more difficult where multiple services are operating from the same depot.

No documented procedures were seen relating to the procurement and control of stock for Powys County Council Highways Depots.

No evidence was noted of any training in respect of the ROCC system being given to Highways personnel.

As at 31st March 2011, the total book value of all stock items held at the Highways Depots was £106,923.43. This figure however does not include stored items, which have been purchased directly for a job, but not used, e.g. a large quantity of York stone paving at Boughrood Depot. These items were not recorded as stock, having been costed to the job they were originally purchased for.

The ROCC system has the facility to record items that have been returned to stores, even though having originally been purchased for a specific job.

Significant responsibility appears to be placed on staff working for the BPU in respect of stock adjustments and in effect write-offs. Whilst assurance was given that all stock take results are authorised by Supervisors, no evidence was noted that adjustments are authorised. Stock adjustments for 2010/11, as per information held on the ROCC system, amounted to £75,515.18

Examination of the adjustments for 2010/11 would suggest that the current method of stock recording in Depots is not working. In some cases the adjustment made during the year was several times the total recorded stock value of the Depot.

As a consequence of the manner in which stock is removed and the absence of any records detailing the stock levels on the vans, the current method of identifying stock replenishment requires Highways personnel to physically examine the stock levels in the yard. Assurance can not therefore be given that purchases are only made when stock is required.

Some concern is expressed that in the event of stock discrepancies which are not as a result of incorrect records, the cause would be impossible to identify.

No evidence was seen that any reports showing the result of stock takes, or details of stock adjustments made following a stock take, are forwarded for the attention of management.

An examination of the method of stock taking for other parts of the service (Street Lighting) identified a robust system to be in operation with full stock takes carried out every quarter and interim stock takes carried out normally every 2 - 4 weeks. Stock adjustments were minimal and only actioned after close examination of job tickets and verification with the relative Street Lighting Supervisor.

Conclusion

The overall audit opinion on the current system for accounting for stock within the Highways Depots is that of **Low Assurance**. The weaknesses within the system (see appendix A) have been recognised by the Head of Service and actions already taken to improve matters. A closing meeting was held to discuss the findings of this report during which it was confirmed that strategic changes are being made within the service that should result in improved future audit reports.

It is important to have a robust stock control framework in place to enable an effective material supply chain, accurate job costing, efficient re-ordering and to identify stock discrepancies. This framework acts as a mechanism for detecting and deterring the potential theft of Council materials. However, the cost of control needs to be considered, as any control framework requires financial resources and therefore any measures put in place should be proportionate to the overall level of financial risk in the first place.

In accordance with current audit protocol, a follow-up audit will check that the corrective measures have been put in place by management.

An updated action plan from the service area has been provided.

Recommendation:	Reason for Recommendation:
<p>The Audit Committee should note the report and take any actions they deem necessary to maintain and promote sound internal control systems.</p>	<p>To comply with the CIPFA “Code of Practice on Internal Audit in Local Government”</p>

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8.0 ACTION PLAN –ROCC System Stores (Depots)					
Ref	Control Weakness	Consequences / Risk	Grading	Agreed Actions by Client	When and by Whom
8.1	Roles and responsibility for management of stock are not clearly identified.	Lack of management control. Stock is not correctly accounted for.	Fundamental	Introduce Procedural Manual initially in Newtown and throughout depots	Adrian Jervis – Newtown Sept 2011 Andrew Jones - All Depots – Dec 2011
8.2	Stores Personnel have not received training in the use of the ROCC system.	Stores Personnel will not have the required knowledge to use ROCC.	Fundamental	Ensure all materials included on stock lists or disposed of in compliance with new procedural manual	Area Managers October 2011
8.3	There are no documented procedures in respect of Stock Takes for Stores Personnel.	Different systems and procedures in use at different locations.	Significant	See 8.1 & 8.2 above	Area Managers October 2011
8.4	Stock adjustments are not formally examined and authorised.	Contravention of Financial Regulations.	Fundamental	See 8.1 & 8.2 above	Area Managers October 2011
8.5	Current working practices prevent the system from showing true stock level figures.	Replenishment stock may be ordered unnecessarily.	Fundamental	Ensure programme of briefings/training implemented to communicate procedural requirements.	Area Managers October 2011
8.6	Surplus items purchased for specific jobs are not recorded on the system.	Further items may be purchased unnecessarily.	Significant	See 8.1 & 8.2 above	Area Managers October 2011
8.7	Stock Take and Adjustment reports not produced for Management.	Management may not be aware of level of discrepancies.	Significant	Produce stock take and adjustment reports for consideration /review by LE Area Managers Management meeting	Andrew Jones - October 2011