



**BEDFORDSHIRE FIRE AND RESCUE
AUTHORITY**

Stock and Inventory

FINAL

Internal Audit Report: 3.16/17

5 December 2016



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1 EXECUTIVE SUMMARY

1.1 Background

An audit of Stock and Inventory at Bedfordshire Fire and Rescue Authority was undertaken as part of the approved internal audit plan for 2016/17.

The sample of departments selected as part of this review was as follows:

- Technical;
- Stores;
- Community Safety;
- Transport;
- ICT.

The Authority uses the Great Plains (GP) system for recording and managing stock levels for all departments other than the Transport department, which use the MIS system to manage their stock. In addition whilst the majority of BFRS stock is recorded and managed on GP ICT, Catering, Training and Hydrants also buy materials that are not recorded on GP. A year-end stock take is performed by each of the five departments as part of the year end accounting processes.

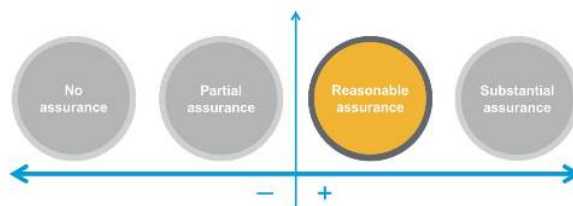
Interim stock and inventory checks are only performed by the ICT department, and all ICT assets have been reviewed as part of the Authority's Virtual Desktop Infrastructure (VDI) roll out, which required replacing current ICT assets with new and improved hardware and software. This took place in June 2016 at the Authority's Headquarters and all Whole-time and Retained stations.

1.2 Conclusion

Our review identified two gaps in the control framework for stock and inventory management. In particular, we found the Service do not currently have in place a stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory in different departments. Through testing we were also unable to reconcile stock items to what was recorded on the Great Plains system for the Technical department related stock. These issues have contributed to the reasonable assurance opinion.

Internal Audit Opinion:

Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

Stock records

The Service uses the e-Requisition Manager System, which is a web-based system for raising and authorising requests for goods and services. A purchase order is raised on the system by the relevant department or station and this requires approval by the department head/budget holder. Most stock items are receipted by stores and are updated on the Great Plains system to reflect this. The Transport department however use the MIS system for ordering and receipting stock items. We selected a sample of 20 invoices and through testing confirmed that a goods receipt note had been recorded on each system and a hard copy signed delivery note or invoice was held in finance.

Stock and Inventory checks

A year-end stock take is performed by each of the five departments reviewed as part of this audit. A list of current stock is extracted by Procurement from the Great Plains system and independent checks are performed by each department. Once the count has been approved and confirmed as accurate the Stock Taking Certificate is signed and sent to Finance. Through review of documentation we confirmed that a year-end stock take had been performed for each of the five departments and hard copies of checks had been adequately retained in finance.

With regards to ICT assets, we confirmed through discussions with the ICT Service Delivery Manager that an audit of ICT assets at retained stations is performed once every 13 weeks. We reviewed documentation to confirm that Station Visits had been performed and deemed this adequate. We were also advised that all ICT assets at the Authority have been reviewed as part of the Authority's Virtual Desktop Infrastructure (VDI) roll out, which required replacing current ICT assets with new and improved hardware and software. This review took place across the summer of 2016 and took place at Headquarters and all Whole-time and Retained stations.

Our review identified the following issues which have resulted in **two medium priority actions**:

Stock and Inventory Policy

The Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory. There is a risk that agreed processes with regards to the management of stock and inventory at the organisation will not be followed if an overarching policy is not developed and available for staff to access. This could lead to the mismanagement of stock which could lead to discrepancies with stock and inventory figures in the year end accounts.

Periodic review of stock levels

We selected a sample of 20 stock/inventory items to confirm accuracy in the amount of stock recorded on Great Plains and MIS was accurate. We could not confirm existence for eight of the 20 items selected as part of our sample, (which had a value of £9,427) and confirmed through discussion with Stores Staff that these related to stock held by the Technical department. Furthermore, through inspection of stores where a vast amount of the Technical department's items of stock is located, we found that it was not organised to the standard maintained by the stores department with identifiable unique item numbers. There is a risk that stock could be damaged, stolen or misappropriated if it is not stored appropriately.

We have also agreed a low priority action with management which is detailed within the Action Plan in Section 2.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Stock and Inventory	2 (6)	1 (6)	1	2	0
Total			1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Stock and Inventory					
1.1	<p>Bedfordshire Fire and Rescue Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory.</p> <p>Through inspection of the five departments we confirmed that the level of security required for particular stock and inventory is not documented within a policy.</p>	Medium	<p>The Head of Finance/Treasurer will ensure that an overarching Stock and Inventory policy is in place which details the following:</p> <ul style="list-style-type: none"> • The type of stock held; • The principles to be followed with regards to receiving, reconciling and using the stock and inventory; • Roles and responsibilities for the stock/inventory held; and • Threshold values (and other factors such as risk) at which enhanced security measures are needed i.e. to ensure expensive or dangerous items such as explosives and flammable goods are secured. 	February 2017	Head of Finance / Treasurer

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.2	<p>We selected a sample of 20 stock/inventory items to confirm whether the amount of stock held agreed to the Great Plains and MIS system.</p> <p>For eight items of the stock held by the Technical department, we could not physically identify these items.</p> <p>We also found through inspection of the stores, where the Technical departments items of stock is located, that it was not organised to the standard maintained by the stores department.</p>	Medium	<p>The Technical Support Manager will ensure stock is located and organised according to the space available to stores. Larger items may be stored externally away from stores due to available space.</p> <p>A review of all OP numbers will take place to ensure they relate to the correct item and the correct shelf space.</p> <p>The Technical Support Manager will ensure an interim stock take is performed on all stock held by the Technical department to ensure accuracy. This exercise will also ensure that stock is organised in a manner which will enable ease for future counts.</p>	March 2017	Technical Support Manager
1.4	<p>We requested emails from Stores to confirm that a Purchase Order Generator shortage report had been sent weekly for the last month for our sample of departments; however these were not received during the review.</p> <p>The Transport department do not currently utilise the MIS system to extract a report on a periodic basis which highlights low levels of stock in the department.</p>	Low	<p>The Authority will ensure that all departments utilise the Great Plains and MIS system to generate a monthly report identifying stock with low balances so these are reordered in timely fashion.</p>	March 2017	TEM

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Stock and Inventory						
1.1	Bedfordshire Fire and Rescue Authority do not currently have in place an overarching stock and inventory policy setting out the type of stock they hold and the procedures to be followed with regards to receiving, reconciling, and using stock and inventory.	No	N/A	<p>Through discussions with the Head of Finance/Treasurer, we confirmed that the organisation does not have in place a stock and inventory policy.</p> <p>We were advised that each department within the organisation has a different procedure with regards to managing their stock and inventory however an overarching policy is not currently in place.</p> <p>We also confirmed for our sample of five departments reviewed as part of this audit that local procedural guidance with regards to their stock maintenance has not been developed.</p> <p>There is a risk that agreed processes with regards to the management of stock and inventory at the organisation will not be followed if an overarching policy is not developed and available for staff to access. This could lead to the mismanagement of stock which could lead to discrepancies with stock and inventory figures in the year end accounts.</p>	Medium	<p>The Head of Finance/Treasurer will ensure that an overarching Stock and Inventory policy is in place which details the following:</p> <ul style="list-style-type: none"> • The type of stock held; • The principles to be followed with regards to receiving, reconciling and using the stock and inventory; • Roles and responsibilities for the stock/inventory held; and • Threshold values (and other factors such as risk) at which enhanced security measures are needed i.e. to ensure expensive or dangerous items such as explosives and flammable goods are secured.
1.2	The Authority uses the Great Plains system for recording and managing stock levels. This is administered by the Procurement department and is a centrally	Yes	No	<p>We obtained a report showing the stock recorded on Great Plains as of 21 September 2016, the time of our fieldwork.</p> <p>We selected a sample of 20 stock/inventory items</p>	Medium	The Technical Support Manager will ensure an interim stock take is performed on all stock held by the Technical department to ensure accuracy. This exercise will also ensure that stock is organised in a manner which will

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	<p>used inventory/stock system in the Authority.</p> <p>The Procurement department also maintain the e-Requisition Manager system, which is a web-based system for raising and authorising requests for goods and services.</p> <p>The Transport department, however, use the Paros 10 MIS system to manage their stock. Items are recorded and receipted on this system and data is imported into Great Plains for accounting purposes.</p>			<p>to confirm whether the amount of stock held agreed to the Great Plans and MIS system.</p> <p>We confirmed the amount recorded on the system had been accurate and a unique item number had been traced in 12 cases.</p> <p>For the remaining eight items of stock selected however, we found that these related to stock held by the Technical department. The value of the stock relating to these eight items was £9,427.</p> <p>We could not physically identify these items and confirmed through inspection of stores that the Technical departments items of stock in Stores is not organised to the standard maintained by the stores department i.e. with unique item numbers. As a result we could not confirm existence for these items of stock.</p> <p>There is a risk that stock could be damaged, stolen or misappropriated if it is not stored appropriately.</p>		enable ease for future counts.
1.3	<p>The Technical department maintain stock at the Authority, such as cutting equipment, life jackets, helmets, and radios. The majority of their stock is held in Stores with the remainder held in containers located in their office.</p> <p>The Stores department maintain stock such as clothing for Fire Officers, clothing for ceremonies and shoes. The department</p>	Yes	No	<p>We were advised that each department in the Service are aware of the risk associated with their stock and are responsible for managing these appropriately.</p> <p>We specifically noted the following:</p> <p>Technical</p> <p>All technical department stock is held in stores or in containers in their department. Through review of stores we confirmed that access is limited</p>		Refer to management action 1.1

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
	<p>consists of a Supervisor, two Store Keepers and one member of staff is required to be present in order for the Technical Staff to access their stock within Stores.</p> <p>Stores staff are based on site and the Technical department also use their own containers of stock. No other inspections of the containers used by the Technical team are performed other than when the year-end stock count is performed.</p> <p>The Community Safety department hold all their stock, such as fire alarms, in a garage based at the Authority's Northern Area office.</p> <p>Transport stock hold vehicle related stock such as bulb and lights. They are held in their Workshop, Containers, Workshop Stores, and in the Workshop Van.</p>			<p>exclusively to Stores staff and access is granted via an electronic fob. The containers are accessed via a key which is only accessible to the three members of staff in the department.</p> <p>Stores</p> <p>We confirmed that all stock is held in stores and access is limited exclusively to Stores staff. We confirmed through inspection that access to the building is granted via an electronic fob system.</p> <p>Community Safety</p> <p>All stock held by the Community Safety team is held in a locked garage based at the Authority's Northern Area office. We confirmed that access to the garage is limited to members of staff in the Community Safety Team.</p> <p>Transport</p> <p>We confirmed that stock is held in the Workshop, Containers, Workshop Stores, and in the Workshop Van. Through discussions with the Transport Support Officer we confirmed that they do not hold any high value stock on site.</p> <p>ICT</p> <p>We confirmed that ICT hardware (i.e. desktops, equipment etc.) is located on site at Headquarters and at the various stations across Bedfordshire and is in use by staff on a daily basis. Assets are also located in two locked rooms at Headquarters and are only accessible by ICT staff. Access is granted via an electronic fob system.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				The level of security required for particular stock and inventory is not documented within a policy however. We have made a management action in section 1 of the report which addresses this issue.		
1.4	<p>A Purchase Order Generator shortage report is extracted from the Great Plains system either by Procurement or the Store Keeper on a weekly basis for all four departments reviewed as part of this audit other than the Transport department.</p> <p>The system has a built in minimum level for each stock item held by the each of these departments. Should this level be reached then this will be highlighted on the report. A purchase order will subsequently be raised by the department and will go through the standard route of purchasing goods in the Authority.</p> <p>The Transport department do not currently perform such an exercise with the MIS system.</p>	No	N/A	<p>Through discussions with staff in each of the four departments reviewed as part of this audit that use the Great Plains system, we were advised that all departments receive a Purchase Order Generator shortage report either from the Procurement team or the Store Keeper on a weekly basis.</p> <p>We requested emails from Stores to confirm that these have been sent weekly for the last month for our sample of departments however these were not received during the review.</p> <p>With regards to the Transport department we were informed by the Transport Support Officer that the department do not perform such a task currently. We did confirm that the MIS System has the capability of performing such a task however. this is not currently utilised.</p> <p>There is a risk that stock in the Service will not be available when needed if such a mechanism is not utilised, which could lead to the department procuring stock from outside suppliers. This could lead the Service to not achieve value for money in the stock that it procures.</p>	Low	The Authority will ensure that all departments utilise the Great Plains and MIS system to generate a weekly report identifying stock with low balances so these are reordered in timely fashion.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review

To ensure that stock and inventory levels across the organisation are understood to ensure that resources are available as and when necessary to meet the demand of the service users.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- A Stock and Inventory Policy and procedure is in place which clearly sets out the roles and responsibilities of key staff and staff groups in ensuring the appropriate management of the Authority's resources.
- The documents clearly set out what is stock and inventory (ie what items are covered by the policy) and the principles to be followed when receiving, reconciling, and using stock and inventory.
- This includes a threshold value (and other factors such as risk) at which enhanced security measures are needed ie to ensure expensive or dangerous items such as explosives and flammable goods are secured.
- The Authority has in place a robust system for recording and managing stock and inventory levels across the organisation. This includes the use of an inventory/stock management system.
- Stock and inventory stores have appropriate security for the values and risk associated with the goods being stored. Security arrangements are independently (from those who use the store) inspected on a regular basis.
- Appropriate controls are in place to receive and record the receipt of stock and inventory. When stock and inventory are used, records are updated to reflect this.
- On a periodic basis, independent (from those who use the store) stock and inventory checks are undertaken to assure the integrity of the stock and inventory management system.
- Processes are in place to periodically review stock levels to identify aging stock which requires redistribution is identified and redistributed, and items with low balances are ordered in a timely manner.

Limitations to the scope of the audit assignment:

- We have not confirmed that all balances within the stock management system are accurate.
- We have not confirmed that the security arrangements are appropriate for the value and risk posed by the goods being stored.
- We have not confirmed that all types of stock and inventory have been captured by the stock management system.

- We have not commented on whether value for money has been achieved in relation to purchasing stock and inventory within the Authority.
- We have not verified the accuracy of all stock and inventory registers, only those sampled within our review.
- We have not verified the access rights allowed as per the fobs for each stores area.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Gavin Chambers, Head of Finance
- Jeremy Harrison, Chief Accountant
- Darren Cook, Technical Support Manager
- Thomas Warner, Prevention Support Manager
- Suzanne Hodgkiss, ICT Support Manager
- Wayne Bartram, Facilities Supervisor
- Gill Pritchett, Transport Support Officer
- Jenny Tighe, Stores Keeper
- Donna Herrington, Procurement Officer
- Catherine Colgan, Procurement Officer

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