



Item: 5

Monitoring and Audit Committee: 4 June 2026.

Internal Audit – Stock Checks.

Report by Chief Internal Auditor.

1. Overview

- 1.1. This report presents the internal audit report on year-end stock checks, for scrutiny.
- 1.2. The internal audit plan 2025/26 included a review of stock checks. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.3. The Council holds stock for Roads Services, Fleet Services, Quarry Services, Marine Services and shops at the Orkney Museum and Scapa Flow Museum. The stock counts are carried out by Council Officers, and the value of closing stock is included in the balance sheet in the Council's financial statements.
- 1.4. The objective of this audit was to verify the accuracy and completeness of stock counts and valuations, and the security and condition of stock held.
- 1.5. The audit provides Substantial assurance that procedures and controls relating to stock checks are well controlled and managed and counts and valuations are accurate.
- 1.6. The internal audit report, attached as Appendix 1 to this report, does not include any recommendations.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the accuracy and completeness of stock counts and valuations, and the security and condition of the stock held by the Council, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

Andrew Paterson, Chief Internal Auditor, Extension 2107, email andrew.paterson@orkney.gov.uk.

Implications of Report

- 1. Financial:** None directly related to the recommendations in this report.
- 2. Legal:** None directly related to the recommendations in this report.
- 3. Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
- 4. Human Resources:** None directly related to the recommendations in this report.
- 5. Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
- 6. Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
- 7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our Economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
- 9. Environmental and Climate Risk:** None directly related to the recommendations in this report.
- 10. Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
- 11. Procurement:** None directly related to the recommendations in this report.
- 12. Health and Safety:** None directly related to the recommendations in this report.
- 13. Property and Assets:** None directly related to the recommendations in this report.
- 14. Information Technology:** None directly related to the recommendations in this report.

15. Cost of Living: None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Stock Checks – End of Year 2025/26.



Internal Audit

Audit Report

Stock Checks – End of Year 2025/26

Draft issue date: 1 May 2026

Final issue date: 13 May 2026

Distribution list:	Director of Enterprise and Resources Director of Education, Communities and Housing Director of Infrastructure and Organisational Development Head of Finance
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Audit Opinion

Based on our findings in these reviews we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions is shown at the end of this report.

Executive Summary

The report covers the annual review of stock checks for stock held by Roads Services, Fleet Services, Quarry Services, the Orkney Museum, Scapa Flow Museum and Marine Services which also covers stock held for the Towage Service.

The stock procedures at these locations are well established, and our audit work in these areas has confirmed that the supporting processes are, in general, well controlled and managed.

The report does not include any recommendations.

The assistance provided by officers contacted during these reviews is gratefully acknowledged.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Stock Check Results

Roads Services

Audit sampling was 15 items from the stock sheet to the floor, and 15 items from the floor to the stock sheet. A total of 30 stock items were checked with an overall value of £9,821.64. One variance was noted and stock sheets updated accordingly. Where possible stock values on the system were checked back to invoice values. Six variances of more than 10% were noted and these were brought to the attention of the Warehouse and Procurement Officer for investigation.

The value of roads stock has decreased by 12.36% since last year.

Fleet Services

Audit sampling was 10 items from the stock sheet to the floor, and 10 items from the floor to the stock sheet. A total of 20 stock items were checked with an overall value of £3,863.62. No variances were noted. Where possible stock values on the system were checked back to invoice values. Two variances of more than 10% were noted and these were brought to the attention of the Store Technician for investigation.

The value of fleet stock has increased by 9.31% since last year.

Quarry Services

The quarry stock check utilises an iPhone app, SR Measure, which is used to measure the volumes of the various stockpiles. Measurements of stockpiles using the above method were observed and confirmed as accurate. In addition, measurement of kerosene was undertaken, which confirmed the stock figure. The final area of stock reviewed was barrier blocks and Caithness flagstones. In total, stock to the value of £65,823.75 was verified.

There was a 19.88% decrease from last year's value predominantly due to an increase in sales of high value stock during March 2026 which is currently being replenished.

Marine Services

Audit sampling was 15 items from the stock sheets to the floor for both Marine Services and Orkney Towage, and 15 items from the floor to the stock sheets for both areas. A total of 60 stock items were checked with an overall value of £86,249.09. Two variances were noted in the count, and these were updated on the stock system. Where possible stock values on the system were checked back to invoice values. One variance of more than 10% was noted and this was brought to the attention of the Database Supervisor and Stock Controller and updated accordingly.

Stock values at Marine Services decreased by 2.78% since last year.

Museums

Scapa Flow Museum

Audit sampling was 15 items from the original stock sheets to the floor, and 15 items from the floor to the stock sheet. No variances from stock sheets were identified. Where possible, stock values on the system were checked back to invoice values, no material variances were noted. A total of 30 stock items were checked with an overall value of £4,865.82.

Orkney Museum

Original audit sampling was 15 items from the stock sheet to the floor, and 15 items from the floor to the stock sheet. Six variances were found, resulting in testing being extended. In total there were 41 items checked, and no further variances were noted. The total value of stock sampled was £2,804.27. When checking our sample back to invoices, it was noted that the stock value of nine items did not match invoice values. There were also errors on the stock spreadsheets in values entered and formulae within some of the spreadsheet cells.

The stock sheets were adjusted to take account of all variances identified and formulae corrected to give an updated stock value.

Overall, there was an 8.29% increase in museum stock from last year's value.

Summary

The table below shows the values of stock stated on the Stock Certificates at 31 March 2026 and the movement in stock since 31 March 2025. As can be seen from the table there has been an overall decrease of 11.88% in the value of the stock held by the Council.

Service	Stock Values at 31 March 2025	Stock Values at 31 March 2026	Movement in Stock	Percentage
Museums	£43,798.00	£47,428.61	£3,630.61	8.29%
Fleet	£262,903.63	£287,372.92	£24,469.29	9.31%
Roads	£438,248.28	£384,096.99	(£54,151.29)	(12.36%)
Quarries	£1,930,288.87	£1,546,598.07	(£383,690.80)	(19.88%)
Marine	£1,011,041.80	£982,901.60	(£28,140.20)	(2.78%)
Totals	£3,686,280.58	£3,248,398.19	(£437,882.39)	(11.88%)

Key to Opinions

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.