

**Item: 9**

**Monitoring and Audit Committee: 5 June 2025.**

**Internal Audit – Stock Checks.**

**Report by Chief Internal Auditor.**

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## **1. Overview**

- 1.1. The internal audit plan 2024/25 includes a review of Stock Checks, this audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.2. The Council holds stock for Roads Services, Fleet Services, Quarry Services, Marine Services and shops at Orkney and Scapa Flow Museums. 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.
- 1.3. 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.
- 1.4. The audit provides Substantial assurance that processes and controls relating to stock checks are well controlled and managed and counts and valuations are accurate.
- 1.5. 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 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](mailto: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, consideration of Internal Audit findings and recommendations, and 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 2024/25

## **Appendix**

Appendix1: Internal Audit Report – Stock Checks.



## Internal Audit

### Audit Report

### Stock Checks – End of Year 2024/25

Draft issue date: 13 May 2025

Final issue date: 26 May 2025

<b>Distribution list:</b>	<b>Corporate Director for Enterprise and Sustainable Regeneration</b> <b>Corporate Director for Education, Leisure and Housing</b> <b>Corporate Director for Neighbourhood Services and Infrastructure</b> <b>Head of Finance</b>
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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 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 Checks

### 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 £34,835.82. Three variances were noted and stock sheets updated accordingly. 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 Assistant Operational Support Manager for investigation.

The value of roads stock has increased by 28.94% since last year, mainly due to several bulk purchases and new product lines in stock.

### 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 £5,300.31. One variance was noted and stock sheets updated accordingly. Where possible stock values on the system were checked back to invoice values. Three variances of more than 10% were noted and these were brought to the attention of the Assistant Operational Support Manager for investigation. The value of fleet stock has increased by 3.91% since last year.

### Quarry Services

For this year's quarry stock check a new iPhone app, SR Measure, was used to measure the volumes of the various stockpiles. Measurements of four 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 £80,447.13 was verified.

There was a 9.06% increase in stock value over last year's value mainly due to an increase in the value allocated to some products.

### 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. Seven 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. Three variances of more than 10% were noted and these were brought to the attention of the Database Supervisor and Stock Controller and were updated accordingly. Stock values at Marine Services decreased by 2.4% since last year.

### Museums

#### Scapa Flow Museum

Audit sampling was 15 items from the original stock sheets to the floor, and 13 items from the floor to the stock sheet. Two variances from stock sheets were identified. Where possible stock values on the system were checked back to invoice values, three material variances were noted. The stock sheets were adjusted to take account of all variances identified. A total of 28 stock items were checked with an overall value of £5,060.09. There was a 23.7% increase in stock value over last year's value mainly due to an increase in branded clothing in stock.

## 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. Due to the number of variances found, testing was extended. In total there were 53 items checked, and 12 variances were noted. The total value of stock sampled was £3,527.03. During the audit, it was noted that the stock figures incorrectly included Sale or Return (SOR) items. This resulted in stock being overstated by £2,199.53.

The stock sheets were adjusted to take account of all variances identified.

## Summary

The table below shows the values of stock stated on the Stock Certificates at 31 March 2025 and the movement in stock since 31 March 2024. As can be seen from the table there has been an overall increase of 7.36% in the value of the stock held by the Council.

Service	Stock Values at 31 March 2025	Stock Values at 31 March 2024	Movement in Stock	Percentage
Museums	£43,798.00	£34,995.11	£8,802.89	25.15%
Fleet	£262,903.63	£253,020.69	£9,882.94	3.91%
Roads	£438,248.28	£339,896.66	£98,351.62	28.94%
Quarries	£1,930,288.87	£1,769,954.61	£160,334.26	9.06%
Marine	£1,011,041.80	£1,035,853.60	(£24,811.80)	(2.40%)
Totals	£3,686,280.58	£3,433,720.67	£252,559.91	7.36%

## Key to Opinions

### Audit Opinion

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