

REPORT TO AUDIT COMMITTEE – 16 SEPTEMBER 2021

Building Maintenance Stocks (Internal Audit Report 2117 – March 2021)

1 Reason for Report / Summary

- 1.1 This report provides a requested update to the Committee on progress with actions arising from Audit 2117 – Building Maintenance Stocks and seeks to assure the Committee that significant improvement has taken place through improved and enhanced processes and procedures.

2 Recommendations

The Committee is recommended to:

- 2.1 Consider and make comment on the matters set out in this report and confirm whether they are assured.

3 Purpose/Decision Making Route

- 3.1 At its meeting on 31 October 2019 Audit Committee determined that Communities Committee be requested to conduct the Committee Review Process in terms of Building Maintenance Year End Stock Take. This being a matter of service delivery identified for improvement from Internal Audit Report 2001.
- 3.2 At its meeting on 19 December 2019 Communities Committee agreed to conduct the Committee Review Process and that the Stage 1 Report be submitted to the Communities Committee meeting of 2 April 2020.
- 3.3 With reference to the meetings of the Audit Committee of 31 October 2019 and the Communities Committee of 19 December 2019 and 3 April 2020, there was circulated a report which provided supplementary information following a Stage One Report to the Communities Committee on 2 April 2020. The report explained that at its meeting on 2 April 2020, the Communities Committee considered the terms of the Stage One Report and requested further information from the Head of Service for Housing, before taking a definitive decision in respect of the report. Following discussion, the Committee acknowledged the supplementary information and determine that the Committee now had the required assurance in respect of the Year End Stock Take and not to instruct a Stage 2 (Workshop).
- 3.4 The report to Communities Committee and the outcome was taken to the following Audit Committee on 7 July 2020. The Committee advised that no further action needed to be taken in respect of stage 2, and that they welcomed evidence of scrutiny and improvements.

3.5 On 25 March 2021 Audit Committee received a report from Internal Audit relating to Audit 2117 Building Maintenance Stocks, (March 2021). The Committee determined that they were partially assured and asked for an update report back in five months.

4 Discussion

4.1 At Audit Committee on 25 March 2021 it was highlighted that the results related to the previous year's activities, so that improvements made would be more clearly demonstrated in the coming year as the processes and improvements had time to affect the outturn. The Housing Service is delighted to show that this has been the situation with another marked improvement demonstrable as shown below.

4.2 A comparison of the historical data clearly shows variances continuing to reduce year on year, with the current year being at an all-time low and also being significantly better than even the good performance of the previous year. This demonstrates that the Housing Service, through new processes, training and support, has a managed and successful stock control process.

Year	Gross Variance	Net Variance
2018	£243,000	£78,000
2019	£170,000	£53,000
2020	£127,000	£10,000
2021	£55,000	£5,000

4.3 The team despite Covid19, have been magnificent throughout the crisis and professional and diligent to enable in extremely difficult circumstances, with mitigating measures in place, to proceed with full and interim stock takes in March 2020 and throughout 2021.

4.4 The Housing Service identified that the processes required enhancement to minimise variances. Internal Audit advised this Committee on the 25 March 2021 that these are in place and are being followed. The Housing Service has implemented all the actions in the Audits, undertaken further scrutiny, changed processes, provided person centred training and continues to investigate future enhancements to the service delivery,

4.5 This Committee will be aware of the significant enhancements being implemented to modernise how Housing Repairs are delivered across Aberdeenshire. The first phase of this process, completed in March 2019, has led to improved efficiency and performance, as evidenced with more work being undertaken by the in-house repairs team and use of subcontractors.

4.6 Along with the introduction of the new system an additional 101 stores were added and every van audited providing greater scrutiny of the 150 staff directly employed. It is evident from the table above that the lessons have been learnt.

4.7 Actions taken

The objective of the stock take audit was to ensure that adequate procedures are in place and are being followed to ensure the stock count process is accurate, which has been confirmed by Internal Audit. The continued success has been possible due to the actions summarised below,

4.8 Interim Stock Takes

Even with Covid19 restrictions interim stock counts were undertaken during 2020/21. Guidance from Finance Service recommends cyclical interim stock counts for all stores in excess of £50,000, to cover every stock line at least once during the year, and again at year-end. Although van stocks are not in excess of £50,000 the Housing Service implemented van checks and interim depot stock takes since the audit the team have checked each section in each depot at least once between annual stock counts. Quarterly checks of sections of each depot have been implemented, the results of which are reviewed to determine whether more frequent checks are required. The Housing Service has advised that there has been benefits from the rigorous pre-stock take checks. The interim results are shared with the Team Leader (Repairs) and the Senior Housing Officer (Repairs).

4.9 New processes

Store's layout, labelling, along with a systematic method of counting, have all been reviewed to reduce the risk of errors. The Housing Service has amended procedures and provided awareness training.

4.10 Driver change

There was evidence that some disparities were due to the Driver change process, a new procedure has been implemented and staff trained which has reduced variances.

4.11 Physical Van Stock

There were adjustments that arose from the lack of understanding of the physical van stock take process. This has now been written into a revised process, training has been provided to relevant staff which again has helped ensure van stock variances are minimised.

4.12 Second-hand Materials

Operatives where possible use leftover material, which is classified as second-hand, as this saves the Service which has to be recorded as second-hand materials. Operatives received refresher reducing the level of variations.

Also, clearly defined storage areas of second-hand materials have been created.

4.13 System change

The Housing Service has following the Audit, reviewed and updated the system to ensure it complies fully with the Code of Practice on Local Authority Accounting. Stock lines have been reviewed, those not used for 12 months and any with a zero value were amended or removed, reducing the overall number of stock lines.

4.14 Structural Changes

The Housing Service has undertaken a realignment of the structure within Housing Repairs moving from an area to functional structure. The new structure will be implemented on 2 August 2021, the introduction of a Stores Systems Coordinator line managing five Stores Controllers (an increase of one post) with increased responsibility, providing a greater focus on stores and ensuring continued improvement.

4.15 Management Meetings

The Service has implemented quarterly stock take meetings have been established with the Team Leader (Repairs), Senior Housing Officers (Repairs), and Stores Controllers. At these meetings there are discussions relating to the vans and areas that have had interim stocktakes in the previous quarter their findings determine which areas to focus future investigations, training and support. This also highlights repeating incorrect items which the team pinpoint what is happening and correct the issue. A short report will be written after each stocktake containing the "Initial Value" and "Counted Value" from Northgate and will advise of any items requiring investigation and any recommendations for future van or depot stocktakes.

4.16 Simplification of coding

Following the recent end of year stock takes, all depots were supplied with depot specific tick lists for the main store and vans. This, along with the new depot material procedure has reduced the number of errors since April 2021. A review of all items on the product list has been completed with new descriptions and supplier product codes supplied for codes where regular errors occurred, to make it easier to select the correct item. Descriptions have been changed for items that are no longer used by all depots (Code No Longer Used) and items used by only one depot with an order quantity of zero (Discontinued - *Followed by Item Description) to minimize errors.

Most of the errors identified were with products with similar descriptions or the crafts person not using the product code function when entering materials. The team have worked hard to reduce the opportunity for incorrect input by amending and simplifying popular item descriptions making correct selection easier and removing items no longer used. The new material transfer procedure is also reducing errors as it has removed several steps for the crafts person, they are now solely responsible for their own van stock and not materials moving from the depot to the job/house they are working on.

4.17 Interim stock takes

The Service has implemented a depot and van interim stock take schedule throughout the year until the End of Year 2022 stocktake. This ensures that there are regular checks at the depots and of all vans are undertaken throughout the year. Attention is also focused on items and vans where errors continue to occur, to ensure that those involved have the training necessary to complete the process correctly and that the support is in place to ensure that improvement is monitored. As part of this process random checks are also be undertaken.

Analysis of the effectiveness of stock takes has been undertaken this has demonstrated that there is continuous improvement across all stores. It has highlighted that only 2 vans still demonstrated ongoing concern as a result direct training and support is being provided for the operators and enhanced scrutiny undertaken to ensure improvement.

4.18 New Depots

The Housing Service is aware of the need to modernise the storage of materials which is linked to the Corporate Depot Review Strategy. This will lead to a reduction in the number of depots, consolidation of staff in new sites, better synergies in a purpose-built unit. This is tied to Aberdeenshire Council's corporate asset strategy.

4.19 The Housing Service has demonstrated continued improved through revising its procedures and process, increased levels of support and training, developing a new functional repairs team, increasing the responsibility and numbers of the stress control team within the newly created Compliance functional team. The Housing Service is pleased that these changes have made such a significant and demonstrable level of continuous improvement and is confident this will continue to further reduce and already small variance in future years.

4.20 Finance Service

The Head of Finance is supportive of the ongoing work to improve processes and have confirmed that the active management and subsequent correction of information by the service demonstrates continuous review and provides assurance as to the accuracy of the stock values reflected in the annual accounts.

4.21 Internal Audit

The Chief Internal Auditor has reviewed supporting records provided by the Service and acknowledges the significant reduction in stock variations summarised at paragraph 4.2. Continued application of the actions set out by the Service in this report provides assurance over stock management.

5 Council Priorities, Implications and Risk

5.1 The work and outcomes delivered through the various services reporting to the Communities Committee helps in the delivery of the following council priorities:

Pillar	Priority
Our People	<ul style="list-style-type: none"> • Education • Health & Wellbeing
Our Environment	<ul style="list-style-type: none"> • Infrastructure • Resilient Communities
Our Economy	<ul style="list-style-type: none"> • Economy & Enterprise • Estate Modernisation

- 5.2 An integrated impact assessment (IIA) has been carried out, IIA – 000097, which determined that there were no implications arising. This is because the report is on arrangements for performance improvement and there will be no differential impact because of the report on people with protected characteristics.

Subject	Yes	No	N/A
Financial		X	
Staffing		X	
Equalities and Fairer Duty Scotland		X	
Children and Young People's Rights and Wellbeing		X	
Climate Change and Sustainability		X	
Health and Wellbeing		X	
Town Centre First		X	

- 5.3 There are no direct staffing or financial implications arising from this report.
- 5.4 The following Risks have been identified as relevant to this matter on a Corporate Level. The Corporate Risk Register and Directorate Strategic Risk Registers can be viewed on the website [here](#).

ACORP001 – Budget Pressures; ACORP003 – Workforce; and ACORP009 – Operational Risk Management.

6 Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 6.2 The Committee can consider and take a decision on this item in terms of Section G.1.1d and G.1.2b of the List of Committee Powers in Part 2A of the Scheme of Governance, as the report provides an update on matters arising from an Internal Audit of Building Maintenance Stocks.

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14 July 2021