

# Internal Audit Report

## Core Financial Controls: Inventory Management

12 January 2026

CD2503

**Overall  
Assessment**

**Limited Assurance**

# Contents

Executive Summary .....	3
Background and scope.....	5
Findings and Management Action Plan.....	7
Appendix 1 – Control Assessment and Assurance Definitions.....	17
Appendix 2 – Areas of Audit Focus and Control Objectives .....	18
Appendix 3 – Individual Store findings .....	19

This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2025/26 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2025. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Global Internal Audit Standards (UK Public Sector) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# Executive Summary

Overall  
Assessment

Limited  
Assurance

## Engagement conclusion and summary of findings

Review of controls to manage inventories across a sample of Council stores has highlighted that improvements are required to provide assurance that an effective system of governance, risk management and control in place. There are significant gaps in controls at some stores that hold inventory which provides limited assurance that risks are being effectively mitigated and that best practice for inventory management is being followed.

While significant gaps were identified in some stores, other stores demonstrated effective controls, which presents an opportunity for the sharing of best practice and adoption of existing controls across stores which need to mitigate similar risks.

Due to the varying levels of compliance within stores, the audit focused on expected core inventory controls for recording, security, and monitoring. Once there is assurance that stores are compliant with core controls, enhanced controls such as demand forecasting, inventory optimisation, and lifecycle analysis should be considered where appropriate and proportionate.

The following improvement actions were identified:

- all stores should establish risk registers to capture all risks related to health and safety, inventory management, security, and supplier management and ensure mitigating controls to manage the risks are implemented
- the existing guidance within the Finance Rules should be enhanced to specify the minimum controls expected in stores
- standard operating procedures should be updated or documented at each store, and approved by Finance as required by the Finance Rules
- consideration of implementing a single inventory management system to improve consistency in inventory management







- security risk assessments should be carried out at each store, including a review of physical access and other security controls
- implementing enhanced controls for the movement of iPads within schools via the Empowered Learning Programme
- in addition, the following operational enhancements would improve efficiency and effectiveness of inventory management:
  - van stock should be subject to stronger controls, including reconciling the physical inventory in the van to a digital inventory management system
  - van security guidelines for off-Council parking should be developed and communicated
  - provision of a sensor for the Bankhead Depot fuel tank to provide an accurate reading of the fuel level.

## Areas of effective practice

- the ATEC 24 Joint Store has robust controls related to the receipt and issue of stock from inventory; valuation, ownership, and physical security of stock; effective routine stock counts to confirm day-to-day controls; as well as appropriate segregation of third-party stock held
- similarly, the Bankhead Depot, which held no third-party stock, has strong controls surrounding inventory receipt, issue, valuation, effective routine stock counts and physical security of stock
- Catering Locality Managers retrospectively monitor the 'cost per meal' achieved at each production kitchen to identify potential supply issues, training needs, and quality concerns.

## Audit Assessment

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Audit Area	Control Design	Control Operation	Findings	Priority Rating
Risk Management		N/A	Finding 1 - Store Risk Management	Medium Priority
Policies, procedures and training			Finding 2 - Inventory Procedures, Guidance, and Training	High Priority
Inventory Management			Finding 3 – Inventory Management Practice	High Priority
Security and Storage of Inventory			Finding 5 – Empowered Learning – devices in schools	Medium Priority
Information Governance				
Monitoring and reporting of Inventory		N/A	Finding 4 – Monitoring and reporting of Management Information	Medium Priority

# Background and scope

Inventory, as defined in the City of Edinburgh Council's (the Council's) [Finance Rules](#), includes all moveable items with a replacement value of £5,000 or more, all transportable computer units including desktop items, and all moveable items with a replacement value of under £5,000 that are at risk due to their attractiveness, ease of removal or accessibility. Inventory represented £4.9m of the Council's assets as of [31 March 2025](#).

Inventory balances and movements during the 2023/24 audited financial year end accounts were as follows:

	Opening	Purchases	Used	Other	Closing
Corp Serv/ Chief Exec	42,368	111,269	(110,590)	(62)	42,985
HSCP Joint Store	2,246,891	4,091,667	(4,155,304)	205,652*	2,388,906
Road Services	853,647	1,113,047	(1,070,440)	-	896,254
Building Services	201,230	4,680,197	(4,607,599)	-	273,828
Catering	193,923	5,235,367	(5,211,960)	-	217,330
Fuel	123,779	2,874,539	(2,889,885)	(83)	108,350
Other	319,766	958,398	(945,138)	(13,047)	319,979
<b>Totals</b>	<b>3,981,604</b>	<b>19,064,484</b>	<b>(18,990,916)</b>	<b>(13,192)</b>	<b>4,247,632</b>

\* Held by third party

Inventory is considered a high-risk area as if not appropriately controlled, accurately recorded, and securely stored, errors or fraud can result in financial loss to the Council and misstatement of the Council's financial position. There is a significant reputational impact where inventory has been misappropriated. Additionally, service delivery across Council services

including the Health and Social Care Partnership could be impacted if inventory levels are insufficient.

The Council's [Financial Regulations](#) specify that Executive Directors are responsible for the care, custody, and stock taking of all inventories under their control. The Council's [Finance Rules](#) provide greater clarity and guidance to Executive Directors, and those they delegate responsibility, to ensure that inventory is effectively controlled.

## Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure the Council adequately manages inventories to ensure the ongoing care, custody and security of assets.

The audit sample contained the stores with the highest values of stock at the end of the audited 2023/24-year accounts, and those with the highest turnover of stock during the year. This amounted to £18.1m of £19.1m stock turnover and £3.9m of the £4.2m of stock held at year end in 2023/24. The stores visited are set out below and a summary of ratings for each individual area is contained in Appendix 3.

Store	Directorate
Neighbourhood Environment Services (Bin Store)	Place
Fleet and Workshops (Bankhead Stores and Fuel)	Place
Housing Operations (Joinery Workshop)	Place
Housing Operations (Van stock)	Place
Facilities Management (Catering)	Place
Neighbourhood Environment Services (Park equipment)	Place
ATEC24 Joint Store	HSCP
Empowered learning (Devices)	CEJS

## Alignment to Risk and Business Plan Outcomes

The review also considered assurance in relation to the following Corporate Leadership Team (CLT) risk categories:

- Financial & Budget Management
- Fraud & Serious Organised Crime
- Technology and Information Management
- Service Delivery
- Governance and Decision Making
- Reputational
- Technology & Information

### Business Plan Outcomes:

The Council has the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost.

## Limitations of Scope

The following areas were excluded from scope:

- preparation for and presentation of the Council's Financial Statements
- property, plant, and equipment (PPE); to be considered for inclusion in a future audit plan as capitalisation of fixed assets was not considered as part of this inventory review
- review of ICT equipment, normally an area of PPE, was limited to iPad devices in schools via the Empowered Learning Programme (see Finding 6).

## Reporting Date

Testing was undertaken between 20 June 2025 and 3 October 2025.

Audit work concluded on 3 October 2025, and the findings and opinion are based on the conclusion of work as at that date.

# Findings and Management Action Plan

## Finding 1 – Store Risk Management

Finding Rating	Medium Priority
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None of the 8 stores sampled have risk registers in place. As of 30 September 2025, there were only 2 specific inventory risks on service area or directorate risk registers. The remaining area (Empowered Learning) has a specific risk register which includes inventory risks for devices.

Duty Managers or on-site health and safety officers undertake health and safety inspections of stores on a 6-monthly basis, most recently in March 2025. These inspections consider health and safety risks on sites; however, they are not recorded on a store-specific risk register, and other inventory risks such as process/forecasting risks, stockouts, overstocking, shrinkage and damage, supply chain risks, or theft and fraud, are not recorded with mitigating actions agreed.

Establishing risk management arrangements for stores would support key operational processes such as to store financial management, operations,

and customer experience; balancing stock levels with demand and mitigating against risks such as overstocking and stockouts.

### Risks

- **Financial and Budget Management** – increased risk of overspends and inaccurate financial reporting stemming from lack of risk identification
- **Supplier, Contractor, and Partnership Management** – supply chain risks may not be mitigated leading to unexpected costs
- **Service Delivery** – services could be disrupted by stockouts, overstocking, poor forecasting, or inefficient processes
- **Fraud and serious organised crime** – increased risk of fraud or theft at stores where risks are not identified and mitigated

## Recommendations and Management Action Plan: Store Risk Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1a	Stores should establish risk registers which capture all relevant risks. Where appropriate the Council’s Risk Management Team should be engaged to support this work, and to determine any overarching Council-wide risk relating to inventories, once local risks are identified and recorded.	<b>Place:</b> The Directorate is engaging with the Corporate Risk Management Team and in line Council’s Corporate Risk Framework will ensure relevant service risk registers include assessment of inventory risks. The local procedures that will be developed in recommendation 2.2a will detail how inventory risks should be identified and escalated.	Corporate Director, Place	Operations Manager	31/03/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1b		<b>HSCP:</b> The Community Equipment Loan Service have accepted this action and will identify the correct risk register template to be used. The corporate risk management team and HSCP leads will be consulted, and a risk register will be implemented for the Community Equipment Loan Service.	Chief Officer, Edinburgh Health and Social Care Partnership	Community Equipment Service Manager	31/01/2026



## Finding 2 – Inventory Procedures, Guidance, and Training

Finding  
Rating

High Priority

The Council's Finance Rules specify that each Executive Director is responsible for the care, custody and stocktaking of all stocks under their control and acting in accordance with the procedure and guidelines issued by the Service Director: Finance and Procurement.

The Service Director: Finance and Procurement is also required to approve in writing all stores' accounts and records in connection with control of:

- the need to maintain detailed stock records on a day-to-day basis
- all stores records and stores accounting systems, whether the system is manual or computerised
- the method and frequency of stocktaking
- the basis of valuation of stocks
- the format of stocktaking records

Finance have not reviewed and approved local store procedures for several years. The following issues were noted out of 8 stores visited, which indicate that a full review and approval of store procedures is required to ensure stores are being managed in line with expectations:

- 4 had no digital stock management system
- 4 had no written procedures
- 1 store had written procedures which required updating
- 4 stores with moderate to significant gaps in operational, day-to-day controls (see finding 3)

- 6 stores with limited monitoring of available data via management information for oversight
- 4 where reorganisations have potentially impacted responsibility, accountability, and knowledge retention within stores
- 2 stores with site futures being uncertain and requiring decision and action to remove ambiguity.

The Finance Rules require periodic and continuous stocktaking, including procedures to follow for the year end and periodic stock counts. There are no other procedures or guidance to assist those managing stores in their duties or to outline the best practice that is expected to be followed.

Additionally, stores are required to train staff locally, which may be contributing to inconsistent processes and gaps in controls as processes are not defined and documented.

### Risks

- **Service Delivery** – potential inefficiencies, poor quality control, or fulfilment delays as a result of inadequate controls and inventory management practice
- **Financial and Budget Management** – inaccurate monitoring and reporting, shrinkage and loss, increased holding costs because of inadequate inventory management practices and controls
- **Fraud and Serious Organised Crime** – greater risk that stock may be misappropriated in the absence of effective controls

## Recommendations and Management Action Plan: Inventory Procedures, Guidance, and Training

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	The Finance Rules should be enhanced by Finance, detailing the minimum expected controls and standards within stores.	Work will be undertaken to determine best practice within inventory management.	Corporate Director, Customer & Corporate Services	Service Director - Finance & Procurement	28/02/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
	Once developed, these should be communicated to all relevant officers with directions to implement the controls within an agreed timescale.	The Finance Rules will be enhanced to incorporate this best practice, and a communication will be sent to all relevant officers.			
2.2a	Following development of enhanced guidance within the Finance Rules, all stores responsible for the custody and management of inventory should document their local procedures.  Local procedures should capture the full end-to-end inventory process and demonstrate how best practice and minimum standards are met or exceeded. This may also include security risk assessment frequency.	<b>Place:</b> Following the enhancement of the Finance Rules in Recommendation 2.1, service managers will review local inventory procedures to ensure they capture their respective end-to-end inventory process as well as achieving the minimum expected controls and standards that will be set out in the enhanced Finance Rules. These will be regularly reviewed going forward.	Corporate Director, Place	Head of Operational Support, Performance & Improvement  Head of Housing Operations  Head of Neighbourhood Environmental Services  Interim Head of Facilities Management	31/08/2026
2.2b	These procedures should be reviewed at regular, appropriate intervals e.g. every 3 years or when there is a change to process.	<b>HSCP:</b> Recommendation accepted and will implement this recommendation as required. Local procedures regarding all stocktakes, managing all purchasing and invoicing will be recorded. All processes regarding stock movement will also be recorded. All processes will be reviewed and updated annually or when there has been a change in daily operations, that has impacted on the stock management.	Chief Officer, Edinburgh Health and Social Care Partnership	Community Equipment Service Manager	31/08/2026
2.3a	Stores should submit their documented procedures to Finance for review, with further consultation and revision where required, and subsequent approval.  Gaps identified by Finance from their review and approval of procedures should form an action plan to confirm the issues are addressed.	<b>Place:</b> The reviewed local procedure documents from Recommendation 2.2a will be submitted to Finance for approval, in line with the Finance Rules. If Finance identify gaps in the local procedures, then they will be addressed and added to an action plan.	Corporate Director, Place	Head of Operational Support, Performance & Improvement  Head of Housing Operations  Head of Neighbourhood Environmental Services  Interim Head of Facilities Management	30/11/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.3b	Once approved, future changes to process, controls, or resourcing which may impact the stores' ability to implement effective financial controls, should be made in consultation with Finance.	<b>HSCP:</b> The Community Equipment Store accept and agree to implement this recommendation as required. We will share all our documented procedures with the finance team and review and update any procedure as required.	Chief Officer, Edinburgh Health and Social Care Partnership	Community Equipment Service Manager	31/08/2026

## Finding 3 – Inventory Management Practice

Finding  
Rating

High Priority

Inventory management practice varied considerably across the stores, this is due to a lack of clear financial guidance, management oversight and sharing of best practices.

The following issues were noted in the stores visited:

- 4 did not have a digital method of tracking inventory which does not enable effective and efficient records management, of which:
- 3 did not have processes in place to effectively track inventory in the warehouse
- 2 did not have effective controls over physical access to warehouse inventory by non-warehouse personnel

In addition, the review of how 'van stock' (inventory held by operatives in Council-marked vans for use on jobs) is controlled noted the following:

- there is no system in place to track inventory issue and use in individual vans, although a supplier system is used by the Council to track inventory purchases. Management is working on a digital solution to resolve this issue
- there are no guidelines for security of vans parked away from Council premises

- Housing and Homelessness services confirmed that engagement was ongoing with the Place Improvement team to enhance controls and seek a digital solution.

The review of inventory practice at the Bankhead Depot noted strong controls surrounding the delivery and dispensation of fuel, but noted the following gap:

- the depot fuel tank does not have a sensor to monitor actual fuel levels, instead the fuel level within the tank is assumed by reference to the fuel delivered and dispensed. This means that any loss of fuel would not be identified.

### Risks

- **Service Delivery** – potential inefficiencies, poor quality control, or constrained processes, and fulfilment delays due to lack of key system to track inventory
- **Financial and Budget Management** – inaccurate monitoring and reporting, shrinkage and loss, and increased holding costs if current inventory and usage patterns are not known
- **Fraud and Serious Organised Crime** – stock may be misappropriated in the absence of effective controls to determine current inventory status.

## Recommendations and Management Action Plan: Inventory Management Practice

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	The Council should consider implementing an organisation-wide inventory management software solution to ensure consistency with controls and records management practice.  It may be possible to embed this into existing functionality of the Council's Enterprise Resource Planning (ERP) Software, Oracle.	Recommendation accepted.	Corporate Director, Customer & Corporate Services	Service Director - Finance & Procurement	30/06/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.2	<p>Van stock controls should be enhanced to ensure that the inventory of any given van can be monitored in the absence of a digital solution, such as more frequent stock taking.</p> <p>Van security guidelines should be developed and communicated for when vans are parked away from secured Council property.</p>	Service management will continue to engage with the Service Improvement Team to help enhance van stock control procedures. Additionally, guidelines will be developed and communicated to colleagues to help ensure van stock is always secure when parked away from Council property.	Corporate Director, Place	Head of Housing Operations Senior Repairs Manager	31/10/2026
3.3	Management should explore the feasibility of installing a sensor within the tank at Bankhead Depot to provide actual fuel levels.	Service management are currently evaluating the feasibility of implementing a fuel-level sensor to further strengthen the effective controls in place surrounding fuel delivery and dispensation.		Head of Operational Support, Performance & Improvement Fleet & Workshops Manager	31/03/2026

## Finding 4 – Monitoring and reporting of Management Information

Finding  
Rating

Medium  
Priority

Inventory management information is essential to balance stock levels, preventing too much stock being held, and the risk of having no stock available. This information helps control costs, improve cash flow and increase efficiency by making sure the right inventory is available at the right place and the right time.

There is limited evidence that management information is prepared, analysed, and reported internally to monitor controls and inform decision making across services and stores holding and using inventory.

3 stores prepare routine management information for monitoring. Only one report was used effectively by the store to investigate and inform decision

making. Outside of the year end stock take, there is no oversight or monitoring of performance of the stores.

### Risks

- **Financial and Budget Management** – stores may be unaware of their current stock levels and therefore purchase more than required leading to additional costs
- **Governance and Decision Making** – ineffective or limited reporting may result in uninformed decision making
- **Fraud and Serious Organised Crime** – stock may be misappropriated in the absence of effective controls, and this will not be identified in the absence of effective monitoring and reporting.

## Recommendations and Management Action Plan: Monitoring and reporting of Management Information

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	<p>Management should develop reporting lines and a suite of proportionate performance indicators for stores to allow consistent reporting and to enable trends and anomalies to be identified. These may include:</p> <ul style="list-style-type: none"> <li>• <b>Financial management</b> - providing transparency on how public money is spent and the financial health of the inventory system</li> <li>• <b>Operational efficiency</b> - indicating how effectively the inventory system is running and identifying areas for improvement</li> <li>• <b>Service delivery performance</b> – showing how effective the store is in providing stock as and when it is needed to allow service delivery</li> <li>• <b>Strategy and compliance</b> – how the store is performing to achieve both service KPIs and Council business plan objectives.</li> </ul>	<p>Alongside the review of local procedures in recommendation 2.2a, service management will develop proportionate performance indicators and reporting lines for their respective stores to ensure there is appropriate oversight of inventory activity.</p>	Corporate Director, Place	<p>Head of Operational Support, Performance &amp; Improvement</p> <p>Head of Housing Operations</p> <p>Head of Neighbourhood Environmental Services</p> <p>Interim Head of Facilities Management</p>	30/11/2026

## Finding 5 – Empowered Learning – devices in schools

Finding  
Rating

Medium  
Priority

This review considered management of devices (iPads) within school establishments within the Empowered Learning programme which is now in its 4<sup>th</sup> year. A number of issues were highlighted including:

- there is no defined decommissioning programme for unsupported, end-of-life devices, or those which cannot be repaired due to cost or age, although a pilot programme is underway and procurement being explored for a solution
- an inconsistent approach to redistributing assets across the school estate at the end of each school year, with primary schools retaining devices in the first year of the programme, and P7 pupils retaining devices to take with them to secondary school in years 2 and 3 of the programme. An approach has been agreed to ensure transfer of assets is managed effectively for the current academic year
- inconsistencies in the approach to asset management within and between schools

- the associated cost of replacing devices and impact on Devolved School Management (DSM) budgets when assets are no longer supported, often at short notice
- current P6 pupils scheduled to receive 1-1 devices for the 2025/26 academic year had not received their device at the 2025 mid-term holiday starting 10 October 2025.

### Risks

- **Financial and Budget Management** – DSM budgets impacted by additional and unpredictable costs related to the replacement of end-of-life devices
- **Service Delivery** – delays in 1-to-1 devices being provided to primary 6 school pupils at the start of the academic year
- **Governance and Decision Making** – ineffective planning for decommissioning and replacing end-of-life or broken assets

## Recommendations and Management Action Plan: Empowered Learning – devices in schools





Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
5.1	The guidance provided on the Orb should be enhanced to form an efficient procedure for schools to follow to enhance asset management processes. This should include utilising the available device management system reports to track devices, and physical verification of devices at periodic intervals. Education Services should monitor compliance with inventory management requirements for devices in schools, to ensure future replacement costs are managed.	<p>1) Once the current council wide decommissioning project is agreed and finalised and progressing, processes will be reviewed, updated where required and available to all colleagues.</p> <p><b>Audit will track progress of this action quarterly.</b></p> <p>2) The tracking of devices at school level will be included the Education Self Assurance annual checks and a</p>	Corporate Director, Children, Education and Communities	Digital Education Manager Operations Managers	<p>1) 3 months post Council Wide Decommissioning Project Completion <b>Audit check – 30/04/2026</b></p> <p>2) 31/08/2026</p>



Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
		process developed and agreed by Digital Learning Team			
5.2	Education services should ensure a contract for the decommissioning of obsolete iPads is procured in a timely manner. Agreement should be reached on how any revenue or costs associated with decommissioning are to be allocated.	There is a pilot project in the early stages where Education Colleagues are working with a Contracted Supplier to arrange the decommissioning of EL1 iPads, however actions dependant on a council wide contract being put in place where Education can follow the process/checks. <b>Audit will track progress of this action quarterly.</b>	Corporate Director, Children, Education and Communities	Commissioning Team Operations Managers	3 months post Council Wide Decommissioning Project Completion <b>Audit check – 30/04/2026</b>
5.3	Continuity planning should be considered for situations in which support of a generation (or more) of devices is unexpectedly removed, necessitating additional devices or transfer of functional devices across the school estate. This planning should consider budget implications on schools and mitigating measures, a communication protocol, and action plans for relevant services to streamline decisions and procurement.	1) Continual planning for replacement of generational devices is included in the Empowered Learning 2 project, this will include identifying appropriate devices, recording the data, distribution of replacement devices and budget implications. <b>Audit will track progress of this action quarterly.</b> 2) The tracking of devices at school level will be included the Education Self Assurance annual checks.	Corporate Director of Children, Education and Communities	Digital Education Manager Operations Managers	1) 3 months post Council Wide Decommissioning Project Completion <b>Audit check – 30/04/2026</b>  2) 31/08/2026



# Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

## Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Risk Management	<ul style="list-style-type: none"> <li>• Risks related to inventory management are identified, recorded and managed within risk registers, regularly reviewed to ensure appropriate mitigating actions are in place and remain effective, with escalation to divisional and directorate level risk committees where required. This includes consideration of fraud and serious organised crime related risks.</li> </ul>
Policies, procedures and training	<ul style="list-style-type: none"> <li>• Clearly established policies and procedures are in place for inventory management which are routinely reviewed and updated in line with the relevant legislation, requirements and guidance, and following any changes to practice</li> <li>• Training and development is available for officers managing inventory, which is relevant, up-to-date, and monitored to ensure complete.</li> </ul>
Inventory Management	<p>Effective processes have been established to record, manage and/or account for the:</p> <ul style="list-style-type: none"> <li>▪ ownership of inventory, particularly where multiple parties share storage areas</li> <li>▪ valuation and receipt of inventory, aligned to the procurement process</li> <li>▪ use/issue of inventory and transfer of costs</li> <li>▪ transfer of inventory between projects and/or services</li> <li>▪ return of unused inventory to stores</li> </ul> <p>Effective processes have been established to account for adjustments to inventory including:</p> <ul style="list-style-type: none"> <li>▪ writing off inventory</li> <li>▪ obsolete inventory</li> <li>▪ inventory revaluations</li> <li>▪ system adjustments</li> </ul> <p>Effective processes have been established to ensure that periodic inventory counts are undertaken effectively, confirming the inventory figures are accurate.</p>
Security and Storage of Inventory	<ul style="list-style-type: none"> <li>• Inventory is stored at appropriate, secure locations, with physical security controls in place such as access controls and surveillance where appropriate. Physical controls should manage the risk of unauthorised access, fraud, and error</li> <li>• Risk assessments have been completed for all stores to confirm that all inventory, including dangerous or flammable items, is stored safely and in line with relevant legislation.</li> </ul>
Monitoring and reporting of Inventory	<ul style="list-style-type: none"> <li>• There is effective reconciliation between the various inventory systems and Oracle carried out on a regular basis</li> <li>• There is effective central oversight of inventory balances and inventory takes which capture unusual variances in inventory levels or signs of fraudulent activity.</li> </ul>
Information Governance	<ul style="list-style-type: none"> <li>• Information governance risks for inventory management are clearly understood, and effective controls have been established to ensure adherence to relevant Council policies and procedures.</li> </ul>
Service Level Agreements	<ul style="list-style-type: none"> <li>• Where services are provided by another Council area, team or third party to support inventory management there is a service level agreement in place which sets out the types or services provided, relevant service requirements, timescales and performance requirements.</li> </ul>

# Appendix 3 – Individual Store findings

## Rating Key

✓	Satisfactory controls in place
⚠	Partial controls or areas needing improvement
✗	Significant gaps or missing controls
N/A	Test was not applicable to this area

Store sampled	Neighbourhood Environment Services (Bin Store)	Fleet and Workshops (Bankhead Stores)	Fleet and Workshops (Fuel)	Housing Operations (Joinery Workshop)	Housing Operations (Van stock)	Neighbourhood Environment Services (Park equipment)	HSCP ATEC 24 Joint Store	Facilities Management (Catering)	Schools Empowered Learning
Control Area									
Risk Management	✗	✗	✗	✗	✗	✗	✗	⚠	✓
Policies and Procedures	✗	✓	✓	✗	✗	✗	✓	✗	✓
Training and development	✗	✗	✗	✗	✗	✗	✗	N/A	✗
Ownership of inventory	⚠	N/A	N/A	N/A	N/A	N/A	✓	N/A	N/A
Valuation and receipt of inventory	✗	✓	✓	✗	✗	✗	✓	✓	✓
Use/issue of inventory	✗	✓	✓	✗	✗	✗	✓	✓	⚠
Transfer of inventory between projects or services	✗	N/A	N/A	✗	✗	✗	✗	N/A	✗
Return of unused inventory	✗	✓	N/A	✗	✗	✗	⚠	N/A	⚠
Write offs, obsolete inventory, revaluations, adjustments	✗	N/A	N/A	✗	✗	✗	⚠	✓	⚠

Store sampled	Neighbourhood Environment Services (Bin Store)	Fleet and Workshops (Bankhead Stores)	Fleet and Workshops (Fuel)	Housing Operations (Joinery Workshop)	Housing Operations (Van stock)	Neighbourhood Environment Services (Park equipment)	HSCP ATEC 24 Joint Store	Facilities Management (Catering)	Schools Empowered Learning
Control Area									
Stock counts	⚠	✓	⚠	✗	⚠	⚠	⚠	✓	✗
Security and storage	⚠	✓	✓	⚠	✗	⚠	✓	✓	✓
Risk assessments	⚠	⚠	N/A	⚠	N/A	✗	⚠	N/A	N/A
Inventory systems and Oracle reconcillation	⚠	⚠	⚠	⚠	⚠	⚠	⚠	N/A	✗
Central oversight	✗	✗	⚠	⚠	⚠	✗	✗	✓	⚠
Information Governance	⚠	⚠	⚠	⚠	⚠	⚠	⚠	N/A	N/A