

County Borough Supplies Joint Committee

Joint Supplies Service



Bridgend
Caerphilly
Merthyr Tydfil
Rhondda Cynon Taf

County Borough Councils

24 June 2009

Report of JSS Manager

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Item 1

Joint Supplies Service Turnover – 2008/2009 and 2009/2010

1. For the information of Members detailed below is a summary of the final turnover of the Service for 2008/09 together with the current year to date (week 11).

2. **Total Catalogue Sales – 2008/09**

| Category | April – Mar 2007/2008 | April – Mar 2008/2009 | % variation |
|--------------|--------------------------|--------------------------|---------------|
| Stores | £3,413,000 | £3,550,000 | +4.0% |
| Non-Stores | £2,006,000 | £1,843,000 | - 8.1% |
| TOTAL | £5,419,00 | £5,393,000 | -0.48% |

3. **Catalogue Sales - 2009/10 (to week 11)**

| | Weeks (1-11) | | |
|--------------|-------------------|-------------------|---------------|
| | Target Turnover | Actual Turnover | % Difference |
| Stock | £805,000 | £790,000 | - 1.86 |
| Non Stock | £325,000 | £270,000 | -16.92 |
| Total | £1,130,000 | £1,060,000 | - 6.19 |

4. **Turnover by Authority – 2009/10 (to week 11)**

| Service | Authority (£'000) | | | | |
|---------------------------------|-------------------|--------------|----------------|--------------------|-------------|
| | Bridgend | Caerphilly | Merthyr Tydfil | Rhondda Cynon Taff | Total |
| Education | 134 | 145 | 58 | 212 | 549 |
| Other Services | 100 | 94 | 20 | 189 | 403 |
| Other Authorities/Organisations | | | | | 108 |
| Total | 234 | 253 | 78 | 401 | 1060 |
| (%)Authorities | 24.6% | 26.6% | 8.2% | 42.1% | |

Item 2

Finance – Budget Monitoring 2009/2010

1. A summary of the budget expenditure / income, including projected year end charges, for the period April – May 09 is provided as follows.

| Category | £'000's | | |
|--------------------------|------------------|-----------------------|------------------------------|
| | 2009/10 Estimate | Actual to 31 May 2009 | 2009/10 Full Year Projection |
| Employees | 923 | 149 | 923 |
| Supplies & Services | 261 | 10 | 261 |
| Transport | 87 | 4 | 87 |
| Accommodation | 88 | 15 | 88 |
| Finance/Support Services | 41 | 7 | 41 |
| Total Expenditure | 1400 | 185 | 1400 |
| Total Income | (1400) | (183) | (1400) |
| (Surplus)/Deficit | 0 | 2 | 0 |

Committee is requested to note the report.

Item 3

Service Performance Indicators

1. As part of the monitoring of the Joint Service, regular reports are presented to Committee in regard previously agreed core service information.
2. The following summary of operational Performance Indicators for the period April – May is provided below.

STOCKHOLDING VALUE

Maintain average stockholding at the same level as 2008/09, continuing the policy of stock reduction introduced during the previous year.

APRIL/MAY 2009: £499k (-15% comparison to same period last year)

STORES – PRODUCT AVAILABILITY (upon demand)

The measurement of the average stock demand availability to the 'first request' (of customer)

TARGET: 96% average over full year

ACTUAL: 96.8%

CREDITOR PAYMENTS

The measurement of the payment to suppliers within a standard period (National Standard Target).

TARGET: 97.5%

ACTUAL: 99.5%

DEBT MANAGEMENT

The measurement of owed debt to the Joint Service as an average during the year.

TARGET: Average of no greater than sum equivalent to 5.5 weeks credit income i.e. £502k in year to May 2009.

ACTUAL: £426k

Committee is requested to note the report.

Item 4**Disposal of Obsolete / Surplus Stock**

1. The range and inventory value of stock-held in the JSS Stores is monitored regularly to ensure both reasonable levels and an appropriate range is maintained to meet service performance standards.
2. The annual stores turnover value is currently in excess of £3.5m reflecting a stock range of 2,800 lines with an accumulated turnover over the last three years exceeding £10m.
3. Reports to the Joint Committee last year have highlighted the objective of the Service of reducing average stock levels (17% during 2008/09).
4. At the same time a comprehensive review of all stockholding has recently been completed, the objective being to identify all obsolete or surplus stock.
5. The Joint Service undertakes initiatives to encourage the sale of non-moving lines but ultimately where such residual stocks exist and where it is considered there is no or very little opportunity to attain their sale, mindful of staff resources, it is beneficial to the organisation to arrange produce disposal.
6. The Joint Committee has previously included provision within the Service accounts for stock obsolescence, a sum of £13,000.
7. Officers have identified a range of stock items as surplus/ obsolete with an inventory value of £9649 which should be disposed of either by way of a 'non-charge' distribution amongst services users within the four authorities or controlled disposal methods where appropriate.
8. It is recommended, therefore, that part of the finance available for this purpose, as above, be utilised to dispose of the existing surplus stock.

Committee is requested to authorise the action outlined above.

Item 5

Internal Audit Review – 2008/09

1. The Report of the Treasurer (Statement of Accounts) considered earlier, included reference to a review of the JSS undertaken by the Authority's Internal Audit as part of the 2008/09 Internal Audit Plan, completed on 31 March 2009.
2. For the information of Members, a summary of the review has been prepared as below, with details of the subsequently agreed Management Action Plan being included with the report. (Appendix)

Full copies of the Audit Report will be available at the meeting.

3. The main objectives of the review were to consider, sample and assess,
 - Management of stock
 - Debt Management
 - Budget Monitoring
 - Application of Contract Procedure Rules
 - Sales Invoicing/Credit Note Control
 - Banking arrangements
 - Goods Ordering/Receipt and Invoice Payment
 - Management of Personnel
4. The external review of the joint supply arrangements being undertaken during the period (APSE) was such that the audit review did not, as a consequence consider the 'strategic elements of the Supply Service'.
5. The conclusion and Audit opinion is that
"based on the limited audit work carried out, that there are adequate controls in place to minimise risk to the Authority and to ensure that the sections objectives are met. The overall opinion is that the controls in

place are operating effectively and the level of assurance gained is adequate*”.

*Based upon a four-scale category of “Substantial/Adequate/Limited/No Assurance”.

6. The audit review identified as particular strengths,

- Stringent monitoring of stock discrepancies and profitability
- Low levels of bad debt

as well as the following issues to be particularly addressed,

- Controls over banking need to be enhanced
- Checks of drivers’ licences for those charged with driving duties should be documented

7. The report concluded with several recommendations, including the above, which form part of an agreed Management Action Plan (Appendix)

Each of the recommendations has or is in process of being implemented.

Committee is requested to note the report.

Item 6

Staffing – Sickness Absence 2009/2010

1. As part of the regular monitoring reports presented to Committee, the sickness absence within the organisation is reported.
2. The absence within the organisation for April/May 2009 is provided below.

| No. of Staff Absent | Total No. of Days Absence | Average No. of Days (per person) |
|----------------------------|----------------------------------|---|
| 10 (12) | 76.5(113) | 1.9 (2.5) |

*Previous year/period in brackets

3. The overall level of sickness absence during the first two months of this year has reduced by 32% compared to the previous year.
4. During the period, the long term certificated absence of 2 staff members accounted for 56 days (73%) of total absence, with the average number of days (per person) for other absence being 0.5.

Committee is requested to note the report.

Item 7**Holiday Period Arrangements – Calendar Year End**

1. In previous years, the Joint Committee has authorised the holiday period closure of the Joint Service during the Christmas and New Year period.
2. The practice was introduced to coincide with the increased tendency of Service customers to extend the statutory public holiday period, the school term and the now regular supplier shut-down over the same period.
3. The closure has been successfully accommodated over the last few years and supports the organisation with service delivery provision during the rest of the year.
4. It is proposed therefore to maintain the arrangement, to close the Joint Service for the period December 29th – 31st 2009 with closure being accommodated by way of staff annual leave and flexible working arrangements.

The consideration of Committee is requested.



Internal Audit

Final Report

County Borough Supplies

Directorate: Resources
Date: 31st March 2009

5. Management Action Plan

| Rec. No. | Recommendation | Categorisation | Para. No. | Agreed | Management Comments | Officer Responsible | Date to be implemented |
|----------|--|----------------|-----------|--------|--|---|------------------------|
| 1 | Cheques should be entered on the remittance register in the presence of two persons. Both should then sign the register to indicate that this is the case. | Significant | 4.5.1 | No | <p>Concerned with the resource implications of this recommendation i.e. two staff units involved in a work volume which requires one staff unit only to undertake-with limited CBS resources.</p> <p>There has not been any instance or suggestion of misappropriation of cheques since the inception of CBS in 1996.</p> <p>Propose alternative procedure as follows, (a) Following opening of mail, both persons count/record number of cheques in register ie quantity and both signatures. (b) Cheques entered onto register by one person only. (c) Cheques/register transferred to second officer (from mail-opening) who is responsible for the cheque depositing, the number of cheques received is cross-referenced to the previously recorded quantity on register and countersigned accordingly.</p> | IT & Support Services Manager (Reporting directly to CBS Manager) | February 2009 |
| 2 | Driving license records should be maintained including dates when reviews undertaken. | Significant | 4.7.1 | YES | <p>Driver Licence checks are undertaken, as required, but evidence of copies could not be produced.</p> <p>Change to practice/responsible officer introduced, reporting directly to CBS Manager.</p> | Senior Administrative Officer (Reporting directly to the CBS Manager) | February 2009 |

| Rec. No. | Recommendation | Categorisation | Para. No. | Agreed | Management Comments | Officer Responsible | Date to be implemented |
|----------|---|------------------|-----------|---|---|---------------------|------------------------|
| 3 | Where tender envelopes are marked in a way which indicates the sender, they should not be opened or considered. | Merits attention | 4.1.1 | YES | <p>Enhanced monitoring to be introduced in conjunction with Legal & Democratic Services (Central Tender Opening)</p> <p>NB I understand this has been a matter of consideration for the authority generally, with a review of Contract Standing Orders being undertaken by Procurement Unit and Legal presently. Implementation post consultation with BCBC Procurement Unit.</p> | CBS Manager | February 2009 |
| 4 | Where tenders are received after the tender deadline, envelopes should not be opened. | Merits attention | 4.1.1 | YES- subject to confirming practice of Legal/ Democratic | <p>This recommendation needs to be examined further, as Standing Orders do not state that tenders should not be opened only that they 'should not be considered'. The practice adopted by CBS with this tender is as undertaken corporately, with such tenders being opened only to identify the sender and to advise accordingly. Such actions would then avoid any potential challenge from the 'failed' tenderer at the time of award. (Report acknowledges CBS did not consider the tender). Implementation post consultation with BCBC Procurement Unit.</p> | CBS Manager | February 2009 |

| Rec. No. | Recommendation | Categorisation | Para. No. | Agreed | Management Comments | Officer Responsible | Date to be implemented |
|----------|--|------------------|-----------|-------------------|--|--|------------------------|
| 5 | Where contract values are lower than that prescribed by the contract procedure rules (£25,000) Management should consider whether it is worthwhile to go out to tender. | Merits attention | 4.1.1 | Existing Practice | This is the practice which is already followed, on this occasion it was known significant competition existed in the market for the particular product range with an expectation a formal tender would maximise upon price benefit. This would not always be the position and a decision would be taken accordingly at the time. Procedure to be enhanced to ensure record of a decision to invite tenders, in such circumstances, is retained with contract file. | CBS Purchasing Manager. (Reporting directly to the CBS Manager) | February 2009 |
| 6 | Stock adjustment forms should be amended to include value of stocks. This would make it easier for the CBS Manager to prioritise which adjustments are in need of further investigation. | Merits attention | 4.2.1 | YES | The value of the transaction is already included with the stock adjustment documentation; a change of authorisation practice will be introduced to facilitate enhanced monitoring. | CBS Manager | February 2009 |
| 7 | Stock adjustment and write off forms should be signed by both the preparer and the approver to indicate that procedures are adhered to. | Merits attention | 4.2.1 | YES | Agreed. | CBS Manager | February 2009 |
| 8 | In light of the increasing level of stock discrepancy, Management may wish to re-consider the costs and benefits of installing CCTV in the stores area. | Merits attention | 4.2.1 | YES | The report does not include reference to the increase in stock discrepancy being referred to Internal Audit for consultation prior to the annual review. Also, the positive outcome of the stocktaking exercise in December 08 should be noted and included. CBS Manager is to continue monitoring to March 09 and decide at that time of any requirement for enhanced security practice. | CBS Manager | March/April 2009 |

| Rec. No. | Recommendation | Categorisation | Para. No. | Agreed | Management Comments | Officer Responsible | Date to be implemented |
|----------|---|------------------|-----------|---|---|---|------------------------|
| 9 | A standard recovery procedure should be set in place and consistently applied. | Merits attention | 4.3.1 | Disagree (that there is not a procedure already in place) | A standard practice is in place, with records of credit control action undertaken being maintained. A key factor in the success of CBS is good customer relationships and a degree of flexibility, within reasonable tolerance, in matters such as debtor payments is accepted - with regular monitoring. The positive evidence of the CBS aged debt profile would support this working practice. Further review will be undertaken to ensure operational controls continue to be effective. | CBS Manager | March 2009 |
| 10 | Control sheets should be introduced for bad debt write offs which should be approved by the CBS Manager prior to being actioned on the system. | Merits attention | 4.3.1 | YES | In practice, the level of debt write off is very small, as is acknowledged in the report, with the CBS Manager presently authorising any such required action. The introduction of the additional control element to the existing practice will enhance procedure. Write-off of bad debt is an extremely rare occurrence, with only the CBS Manager authorised to proceed. There was no bad debt write off during 2007/08. | CBS Manager | March 2009 |
| 11 | To further enhance controls over credit notes, Management should periodically review a schedule of notes raised and follow up on an exception basis. | Merits attention | 4.4.1 | YES | Agree with recommendation. | CBS Manager | March 2009 |
| 12 | Management may wish to consider whether it would be beneficial for checks to be made from remittance register to banking by an independent officer on a random basis. | Merits attention | 4.5.1 | YES | Agree with recommendation. | IT & Support Services Manager (Reporting directly to CBS Manager) | February 2009 |

| Rec. No. | Recommendation | Categorisation | Para. No. | Agreed | Management Comments | Officer Responsible | Date to be implemented |
|-----------------|---|-----------------------|------------------|---------------|---|-------------------------------|-------------------------------|
| 13 | Management should utilise the fire safe to ensure that monies are stored securely in the rare event that banking is not carried out on the same day as receipt. | Merits attention | 4.5.1 | YES | Agree with recommendation. | IT & Support Services Manager | February 2009 |
| 14 | The staff appraisal process should be reintroduced. | Merits attention | 4.6.1 | YES | Agreed, temporary deferred practice only. | CBS Manager | April 2009 |
| 15 | Up to date Job Descriptions should be issued to those persons that have changed role. | Merits attention | 4.6.1 | YES | Agreed, the sample tested was very much the exception to the actual position, particularly with two of the three 'failed' where the job descriptions existed but recent change to duties content had not been updated. Disagree that staff would not be aware of their duties and responsibilities. | CBS Manager | March 2009 |

Explanation of Categorisations for Audit Reports

Individual Recommendations

For each control reviewed, where it was established that the control is either not in place or is in place but not being adhered to, a recommendation will be made. Each recommendation will be given a categorisation based upon the severity of the missing control. The categorisations are as follows:

- Fundamental - action that is considered imperative to ensure that the Authority is not exposed to high risks;
- Significant - action that is considered necessary to avoid exposure to significant risks;
- Merits attention - action that is considered desirable and should result in enhanced control or better value for money (VFM).

Individual Controls & Overall Report

The objective of an audit is to evaluate the system with a view to delivering reasonable assurance as to the adequacy of the application of the internal control system. The control system is put in place to ensure that risks to the achievement of the Authority's objectives are managed effectively.

Based upon the recommendations made, the categorisation of them and the areas that they relate to, an overall conclusion as to the level of assurance that can be provided will be given, as below:

Substantial Assurance

- Key controls exist and are applied consistently and effectively; and,
- Objectives are being achieved efficiently, effectively and economically (VFM).

Adequate Assurance

- Key controls exist but there may be some inconsistency in application;
- Compensating controls operating effectively; and,
- Objectives achieved after a fashion, e.g. VFM could be improved.

(some risk of loss, fraud, impropriety, or damage to reputation)

Limited Assurance

- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively; and,
- Objectives are not being met, or are being met without achieving VFM.

(a high risk of loss, fraud, impropriety, or damage to reputation)

No Assurance

- Key controls do not exist; and,
- Objectives are either not met, or are met without achieving VFM.

(a very high risk of loss, fraud, impropriety, or damage to reputation)