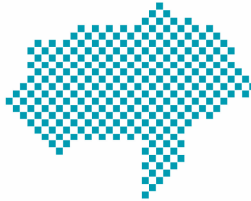


Police and Crime
Commissioner
North Yorkshire



Clothing Store Final Report

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Contact Details	01924 294061
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Draft Report Issued	14 August 2015

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Final Report Issued	21 September 2015
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1 Executive Summary

North Yorkshire Police's (NYP) clothing store is centralised at Newby Wiske for the whole Organisation. The store has four members of staff: a Clothing Store Manager (CSM), Clothing Store Keeper (CSK) and two delivery staff members. The CSM is responsible for the replenishment and management of the Clothing Store, including the delivery of items to NYP employees who have requisitioned them.

The clothing store was found to be well organised with items cross referenced to the Oracle system and readily locatable. The store is appropriately secured and alarmed 'out of hours', reducing the risk of non-clothing personnel misappropriating items. The clothing store staff undertake their roles diligently, ensuring that the store is well managed.

Internal audit assessed the process throughout, from the point that an item is ordered by an employee via Oracle (the system utilised for requisitioning), to being delivered at a NYP station. Internal audit can provide positive assurance that the thorough checks undertaken before a requisition is approved, ensure that officers are not receiving unnecessary items and stay within their annual entitlements.

Line managers are responsible for retrieving officer's uniform on their assigned leaving date. However examples were evidenced where valuable items such as body armour, had not been returned to stores by the officer, via their line manager.

Internal Audit selected a sample of requisitioned items and contacted the relevant officer to confirm that they had received their items. Some officer's stated that they had never received their items. As a result, Internal Audit visited a number of stations to discuss the receipting process for clothing items. It was identified that each station operate differently and there is no defined process for receipting items at NYP stations. A record of clothing items delivered was not kept at the stations where items had not been received, and therefore it was not possible to identify what had happened to these items.

The process delivers an effective level of service from requisition to delivery proving to be efficient, with items delivered to the requisitioning officer within 48 hours, due to three mail runs a week. The orderlies deliver internal mail and property across the organisation as well as the requisitioned clothing. Internal audit studied a NYP mail review carried out last year which detailed the current spend on existing mail contracts; including the internal delivery route. The orderlies identified and implemented a more cost efficient route achieving weekly savings, as long as the DX service is being utilised.

A number of external companies are also involved in NYP's mail collection; with one service collecting mail from identical stations to those in the orderlies' mail run. Internal Audit would recommend the organisation reviews the necessity of this external service; as their duties could be adopted by the orderlies on their existing mail run.

A review of the Miscellaneous Issue Report, which is used to record stock out of the clothing store,

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highlighted issues in the way some items are recorded, particularly in relation to write offs and damaged goods. There is therefore a risk that stock could be misappropriated through utilisation of the Miscellaneous Issue Report, without it being detected.

	Commentary
Effectiveness of Risk Management Approach	Reasonable assurance can be provided that the system is working in an effective manner with regards to approving, picking and packing requested clothing. However, there is no set receipting process for items delivered to local stations, with the risk that items could be misappropriated. In addition the process in relation to officers leaving the organisation and returning their 'kit' should be strengthened, to ensure that uniform is returned to stores as expected.
Efficiency of Risk Management Approach	The current approach of mail delivery services should be reviewed to find the most cost efficient option; utilising existing internal services.
Assurance Level	2 - Reasonable Assurance
Overall Risk	5:8

2 Scope and Approach of the Audit

The audit has considered the systems in place for the ordering and receipt of stock into the Clothing Store as well as all the means by which stock is issued or otherwise accounted for during the year. In addition the audit considered the robustness of the approach to stock taking at year end and throughout the year, as well as the approach to dealing with any discrepancies that may have arose, through write off and miscellaneous receipt. The consideration of the system has also included the procurement approval processes in the Store and how this process links in with the wider P2P team.

The following risks have been assessed:

- Stock may not be available when required;
- Expenditure may be incurred on items that are not required;
- Items may be paid for that have not been delivered;
- Inappropriate levels of stock maybe held;
- Items may deteriorate whilst held in stock;
- Officers may not receive items requisitioned;
- Officers may receive items of stock that they do not need;
- Stock may not be fully accounted for on receipt or distribution;
- Returns to the store may not be accounted for;
- Stock may be disposed of, after becoming obsolescent; and
- Stock may be misappropriated.

Each recommendation is accompanied by an assessment of the likelihood and impact of the risk identified, to North Yorkshire Police/ the Commissioner as a whole.

3 Report Distribution

Name/Role	Draft	Final	Final with Response
Richard Flint, Head of Estates, Logistics and Technology	✓	✓	✓
Jane Palmer, Chief Constable's Chief Finance Officer	✓	✓	✓
Michael Porter, Police & Crime Commissioner's Chief Finance Officer	✗	✓	✓
Risk & Assurance Unit	✗	✓	✓

4 Observations

4.1 Return of Valuable Items

Risk Exposure			Root causes		
NYP uniform may be used for non-police duties. Potential loss of valuable stock items.			Officers are unaware/ not adhering to the standard 'de-kitting' process.		
Probability	Financial	Reputation	Operational	Legal	Rating
Highly Probable	Negligible	Minor	Negligible	Negligible	4:12

The clothing store are informed by HR when an officer is due to leave the organisation. However the responsibility for collecting an officer's uniform lies with their line manager. If there are any issues with collecting equipment, the line manager should discuss this with HR to find an alternative means of retrieving any valuable items, such as body armour.

HR supplied audit with a list of leavers for the period December 2014 to June 2015. Internal Audit randomly selected a sample of leavers to confirm that any valuable items had been returned and added back to stock. Examples were identified where body armour had not been returned, two months after the officer had left the organisation. This had not identified been prior to this review. A leaver notification form had been circulated by HR prior to the officer's leaving date, therefore the officer's line manager and the clothing store were aware the officer was due to 'de-kit'.

Further investigation was undertaken by the CSM and one set of body armours was found on-site whilst the other was confirmed to still be in the Officer's possession; due to a false instruction by a HQ caretaker. These items have since been retrieved and added back to stock.

It was also brought to Audit's attention that a number of officers are not emptying their lockers before they leave and failing to return locker keys. Whilst a minor issue, this creates inefficiencies, as replacement locker keys have to be obtained.

Recommendation 1

Clothing store staff should review leaver notification forms, to ensure that any valuable or sensitive items have been returned, thus allowing staff to identify and retrieve any absent items at the earliest opportunity.

Recommendation 2

Consideration should be given to having a detailed checklist for line managers to complete when an officer is leaving the organisation, ensuring that all items are returned.

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The introduction of a checklist could also serve as an opportunity to remind line managers of their responsibilities to retrieve clothing items and kit prior to an officer leaving the organisation.

4.2 Delivery Process

Risk Exposure			Root causes		
NYP clothing may be unaccounted for. Unnecessary expenditure may be incurred.			No set process to evidence that items of clothing have been received at stations. Three clothing delivery runs undertaken a week.		
Probability	Financial	Reputation	Operational	Legal	Rating
Probable	Negligible	Negligible	Negligible	Negligible	5:4

When an order is loaded for delivery, the corresponding items on the order are receipted on the system. Clothing staff run a delivery three times a week around North Yorkshire, delivering clothing orders to local police stations. Through testing it was evidenced that clothing ordered through Oracle is approved, picked, packed and delivered ordinarily within a 48 hour time period.

Internal Audit spoke with a number of OSOs at various police stations throughout North Yorkshire. It was identified that there is not a set process in place for receipting items upon delivery at a station. Each station handles deliveries differently; varying from keeping a log book and storing orders in a locked cupboard to having no documentation and storing orders in an unlocked cupboard.

Internal audit contacted each officer included in our test sample to confirm that they had received their clothing requisition. A small amount of officers stated that they had not received the items in question. These officers were located at stations where no receipting process is in place, and as a result Internal Audit could not trace these orders.

4.2.1 Procured External Services

As stated above, stores staff carry out three deliveries a week. Drivers aim to start their journey mid-morning and have set routes throughout the week, with each mail run lasting all day. The orderlies not only deliver clothing, they also deliver mail and property other than found.

A cost efficiency review has been evidenced and reviewed by internal audit. The post review details the various external mail services utilised throughout the organisation. NYP spend nearly £6000 per year on Royal Mail services, who are responsible for collecting post from the larger police stations, which are also part of the orderlies mail run.

The mail review recommends the utilisation of internal services, such as DX and internal mail. Internal Audit were also advised that cost effective options have been considered with the merging of an external organisation. Internal Audit would recommend a further review to be undertaken to utilise the existing internal services to their full capacity to manage better cost efficiency.

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Recommendation 3

A standard procedure should be implemented across NYP to evidence the receipt of clothing items.

Recommendation 4

All items should be kept in a locked mailroom in every NYP station that items of clothing are delivered to.

Recommendation 5

Consideration should be given to utilising existing internal services to provide the most cost effective management of NYP mail.

4.3 Miscellaneous Issue

Risk Exposure			Root causes		
Stock items may be misappropriated.			<p>A small number of miscellaneous items have been incorrectly recorded on the Oracle report.</p> <p>Oracle reports in relation to miscellaneous issue are not periodically reviewed by management.</p>		
Probability	Financial	Reputation	Operational	Legal	Rating
Probable	Minor	Minor	Negligible	Minor	5:8

Internal Audit was provided with the Miscellaneous Issue Report from 2014/15, which details items which have left the store and are due to be returned, for example items sent for alterations. Each item has an allocated reason, with space for a description as to why the item has been booked out of the clothing store.

Internal Audit reviewed each of the items listed on the Miscellaneous Issue report and it was found that a number of items have been misreported and recorded under an inappropriate reason. Damaged items have been recorded as 'issue stock' on this report when there is an allocated reason for damaged clothing. In addition a number of notebooks were disposed through miscellaneous issue under 'issue stock'; valued at £209.55. These items should have gone through the write off process seeking appropriate approval before disposal. It is a small monetary value in relation to all stock, however the concern raised is that items can be written off without approval and may not be detected.

Recommendation 6

Management should periodically review the Miscellaneous Issue Report to ensure that write offs have been correctly recorded and appropriate approval sought.

Recommendation 7

Consideration should be given to defining each of the references used on the Oracle reports to help simplify the periodic review.

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5 Recommendations

#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Satisfactory Response (IA View)
1	Clothing store staff should review leaver notification forms, to ensure that any valuable or sensitive items have been returned, thus allowing staff to identify and retrieve any absent items at the earliest opportunity.	Significant	Implemented. Once the sheet and clothing is returned to the stores it is reviewed and the line manager is informed of any discrepancies, which do not have a reasonable explanation, they then have to follow up those discrepancies with the leaver.	David Freeman 04/09/2015	
2	Consideration should be given to having a detailed checklist for line managers to complete when an officer is leaving the organisation, ensuring that all items are returned. The introduction of a checklist could also serve as an opportunity to remind line managers of their responsibilities to retrieve clothing items and kit prior to an officer leaving the organisation.	Merits Attention	This has now been implemented. Clothing Store are informed by HR Leaver Process when an officer is leaving the organisation, we then check to confirm if uniform has been issued to the officer and send the complete initial issue form to the line manager. So they can ensure all items on that list are returned to stores for disposal or recycling.	David Freeman 04/09/2015	

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#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Final Satisfactory Response (IA View)
3	A standard procedure should be implemented across NYP to evidence the receipt of clothing items.	Significant	A parcel log book (which records both internal and external deliveries) will be implemented at all sites where it is not currently in use – this will require the signature of the recipient prior to release of the parcel (clothing) or recorded mail.	Kate Williams 30/10/2015	
4	All items should be kept in a locked mailroom in every NYP station that items of clothing are delivered to.	Merits Attention	Although we do not have the facilities at all sites to allocate a mail room, we will allocate lockable storage for parcel deliveries (including clothing) and recorded mail. Consideration will also be given to limiting the number of sites where parcels and clothing can be delivered / collected to those sites that are staffed by an OSO in order to ensure the process is managed effectively and securely.	Kate Williams 30/10/2015	

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#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Final Satisfactory Response (IA View)
5	Consideration should be given to utilising existing internal services to provide the most cost effective management of NYP mail.	Merits Attention	Following our review of postal services (including internal mail runs) in 2014 we have implemented a number of process and contractual changes to reduce our postage costs. To date this has yielded revenue savings of £14,500 pa. The DX service is fully utilised but is limited in its coverage (it is mostly used by the legal services infrastructure with external organisations so not linked with the NYP mail run), the internal mail service is well used for internal transfer but does not replace Royal Mail as an external service provider. Royal Mail collections are now limited to four main sites and mail is moved between outlying stations and main sites to facilitate further economies of scale. We will review the mail run again early 2016 to ensure it is effective.	Kate Williams 26/02/2015	
6	Management should periodically review the Miscellaneous Issue Report to ensure that write offs have been correctly recorded and appropriate approval sought.	Significant	Implemented. Clothing Store Manager to review on a quarterly basis to ensure correct recording is taking place. Write off stock will go through the correct procedure for authorisation by a CFO.	David Freeman 24/09/2015	

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#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Final
					Satisfactory Response (IA View)
7	Consideration should be given to defining each of the references used on the Oracle reports to help simplify the periodic review.	Merits Attention	A review will take place with P2P to look at the whole list of references to see if they are still relevant.	David Freeman 30/11/2015	

Classification of Recommendations	
Fundamental	Action is needed to address risks that could impact on the organisation's ability to achieve its objectives. Action will typically be organisation-wide and be necessary at the highest level. Other fundamental recommendations will be made in regard to potentially serious breaches of statutory obligations.
Significant	Action is needed to address risks that impact primarily on one major business area or to address lower risks on an organisation-wide basis.
Merits Attention	Action is advised to enhance control, remedy minor breaches of current controls or to improve efficiency.

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6 Appendix: Assurance Level

Internal Audit assesses the effectiveness of internal control, within the scope of what is audited. This measure is therefore a relative one.

Category	Description
1	Reasonable assurance can be provided that the main risks considered are being effectively managed; action may still enhance the management of risk in a small number of areas. In addition Internal Audit has identified that the approach taken to address risk as representing good practice in this area.
2	Reasonable assurance can be provided that the main risks considered are being effectively managed. Limited management action may be required to address a small number of significant issues.
3	Limited assurance can be provided that the main risks considered are all being effectively managed. Significant management action is required to address some important weaknesses.
4	Inadequate assurance can be provided that the risks identified are being effectively managed. Significant weaknesses have been identified in the risk management action, these are likely to involve major and prolonged intervention by management. These weaknesses are such that the objectives in this area are unlikely to be met.

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7 Appendix: Overall Assessment Criteria

Risks in this report have been assessed using the following criteria. It is the same criteria as that used by North Yorkshire Police to assess risk for the Risk Register.

Probability	Highly Probable	Nil	5:7	4:12	2:14	1:16
	Probable	Nil	5:4	5:8	3:13	2:15
	Unlikely	Nil	6:2	5:5	5:10	4:11
	Highly Improbable	Nil	6:1	6:3	5:6	5:9
	Nil	Nil	Nil	Nil	Nil	Nil
	Nil	Negligible	Minor	Significant	Catastrophic	
		Impact				

Probability	Nil	< 20% Highly Improbably (HI)	20% - 40% Unlikely (UL)	40% - 60% Probable (P)	> 60% Highly Probable (HP)
Impact Categories	Nil	Negligible	Minor	Significant	Severe
Financial (£) - Default - Mandatory	Nil	0 => 100k Increased financial impact less than £100000	100k => 250k Increased financial impact between £100k and £250k	250k => 2.5m Increased financial impact between £250k and £2.5m	2.5m => 3.75m Increased financial impact greater than £2.5m
Reputation	Nil	Negligible adverse publicity. Minimal impact upon public perception	Localised adverse publicity. Minor/transient impact upon public perception of Force or PCC	Criticism at local level. Lasting impact upon public perception of Force or PCC	Intense national media. Criticism at national level
Operational	Nil	Negligible impact upon ability to deliver service and meet Force targets	Minor impact upon ability to deliver service and meet Force targets	Significant impact upon ability to deliver service and meet Force targets	Catastrophic impact upon ability to deliver service and meet Force targets
Legal/Compliance	Nil	Negligible prospect of legal challenge	Minor/Transient prospect of legal challenge	Serious noncompliance. Litigation/challenge.	National legal issue.