

Openreach Free Issue: STORE'S HOUSEKEEPING, STOCK COUNTS AND AUDITS

Standard Operating Procedure

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Section 1: Introduction

Purpose

This SOP explains:

- The requirements of stock management including stock and cable audits;
- Stock reporting to Openreach;
- How to report thefts and other stock losses;
- How to investigate stock and cable discrepancies;
- Performance Measures relating to stock counts.

Scope

Openreach provide **free-issue materials** to its **Managed Service Providers** for the maintenance and build of the Openreach network.

Openreach requires a number of **control measures** to be in place to protect its assets and MTS is obliged to evidence that the stock is controlled.

The **Managed Service Provider** must demonstrate both System control and Physical control.

This SOP applies to all **STAs** and **satellite STAs**.

The audit process applies to all material supplied by Openreach and other materials recorded in MATS.

Responsibilities

It is the responsibility of the:

- **Store's Lead** and **Warehouse Operatives** to complete the audits within the specified timeframe;
- **Audit Administrator** to manage the audit schedule;
- **National Logistics** to communicate any losses to Openreach, BT Security and MTS Commercial;
- **MTS Commercial** to manage resulting charges from audits and other losses.

Section 2: System Control Overview

MTS extend the use of the Morrison Asset Tracking System (MATS) to its suppliers to manage free-issue stock.

Only trained, authorised users must access to the MATS system. Users must not divulge their login details and password to others.

The number of accounts that an STA can have is not limited, so if extra user-logins are required please contact National Logistics.

If you are on annual leave, please notify the **Audit Administrator** or **National Logistics** so that access to MATS is restricted during this period to reduce the risk of unauthorised access.

Section 3: Physical Control Overview

In order to comply with the physical control of materials at all STA and Satellite STAs, all **Store's Leads** and **Warehouse Operatives** must ensure:

- All **incoming and outgoing** materials are documented and recorded correctly using the appropriate forms;
- Access to materials is **restricted** to authorised personnel only;
- Stock and cable issued **Out of Hours** (OOH) is recorded;
- **Copper cable** is kept in a locked warehouse or a locked cable compound;
- Stock items must be stored in an **appropriate location to protect from elements** (e.g. non-weatherproof items to be stored inside).

All materials must be stored in a **named bin location** that corresponds to the **same named location in MATS**. This enables any authorised person to conduct a physical audit and locate stores easily. The client reserves the right to audit an STA at any time and unannounced.

Please refer to **SOP #2, 'How to Setup an STA for Storage and Audit Purposes'**.

Section 4: Theft or Fire / Flood Damage

Thefts and flood damage are a risk at any site.

Theft

If there is evidence of a break-in, personnel must act immediately.

1. Report it to the police and obtain a crime reference number;
2. Notify BT Security on 0800 321 999;
3. Notify National Logistics, the Logistics Manager and the General Manager of the STA.

Flood / Fire

In the event of a fire or flood, personnel must act immediately.

1. Contact the relevant emergency services where required;
2. Notify National Logistics, the Logistics Manager and the General Manager of the STA.

In both instances, when safe to do so, conduct an audit to identify missing and damaged materials. Notify National Logistics as soon as possible and provide photographs of any damage.

National Logistics will update MATS to deplete the missing or damaged items and report the losses to Openreach and MTS Commercial following the audit.

Openreach may ask that damaged stock be returned, so quarantine the stock until further notice.

Section 5: Transaction Reporting & Audit Preparation

MTS is obligated to provide two reports to Openreach.

Daily Uploads

The transactions performed in MATS at all STAs and satellite STAs are extracted and uploaded to Openreach each working day. The four upload reports are:

Receipts includes new incoming stock, returned stock from engineers and internal stock transfer receipts.

Issues includes issues to engineers, and internal stock transfer issues.

Adjustments scrap write-offs, losses and gains.

Reconciliations snapshot of current stock holding.

For this reason, STAs and satellite STAs must aim to complete all MATS transactions before the 12 noon deadline daily. Register all deliveries; issue all stock and cable; transfer and receipt transfers; return stock and cable from engineers to the STA and return excess stock and cable to the supplier.

All stock must be physically located in the correct bin location or in the quarantine location.

An audit cannot take place if the transactions are not up-to-date on the MATS system or it will result in discrepancies.

Daily Downloads

The Openreach system rejects the transactions where the STA is not built on the Openreach system (new STAs) or the item codes not built on their system (e.g. VMI items). These four reports are sent to National Logistics by email for action:

Adjustments Errors

BT Item Master

Issues Error

Receipts Error generally indicates there has been an error made during the register new stock transaction. MATS users must check the history of their own transactions directly after booking in to check for their own errors.

Stores Closed by Estimate Report

Where jobs have been completed without any evidence of stock being issued in MATS, National Logistics is obligated to provide a list of stock issued **for Job Comp closed estimates** during the reporting period.

Suppliers will be challenged to find out why there have been no stores requisitions for these particular jobs from the STA. Suppliers will also be challenged where stores have been over-spent (Openreach send a report to the Logistics Manager).

Section 6: The Audit Requirements

Each STA and satellite STA must complete audits to demonstrate compliance of their stock-keeping methods.

Informal Audits- Frequency: Monthly

To ensure stock keeping processes are being followed **Store's Leads** and **Warehouse Operatives** are encouraged to perform their own random informal audits. Prior to starting the audit ensure all transaction are up-to-date and all stock is located in the correct bin, as per Section 5.

Log on to MATS, go to **Reports>Asset Details** and download the report. Select an area of the stores to audit and highlight on the report the audits conducted. If there is a discrepancy between the physical count and MATS then the site needs to conduct an internal investigation to find out the reason. Select a different section of the stores to audit on another day. Perpetually conducting random audits will minimise the risk of discrepancies in formal audits.

Formal audits will always take precedence over an informal audit if there is ever a timing clash.

Formal Audits / Perpetual Inventory Checks – Frequency: Varies

To ensure stock is controlled, all free-issue materials supplied by Openreach are subject to perpetual inventory counts. The client dictates the frequency of the audit and it is dependent upon the value of the stock keeping unit.

The number of counts will vary for each site depending on the quantity of materials held. The category of audits are:

Category	Description	Frequency
A	Stock	Monthly
B	Stock or Cable	Quarterly
C	Stock	6 monthly
D	Stock	Annually

The MTS Audit Administrator will run a MATS Audit Details report. Login to **MATS>Reports >Audit Details** and limit the report to the required parameters.

The **MTS Audit Administrator** will notify the STA by email when there is a formal audit due. The results and audit schedule is managed centrally.

Each STA must have a minimum of two MATS users and have two nominated audit days each week. If a MATS User is away from site (holiday, training etc.) where possible, that user is to set up an out-of-office email notification.

Access to MATS **will be restricted** during a Formal Audit; the users will not be able to access any stock or cable information. Once the audit is complete, access to the users will be reinstated.

The **Store's Lead / Warehouse Operative** will be required to count the part numbers outlined in the email and report back to the Audit Administrator with the result of the count. If there is a discrepancy, recount the stock to verify the result.

A lack of cooperation from a store to conduct audits will result in an automatic fail and the site and respective manager(s) will be notified.

The Audit Administrator maintains an Audit Tracker to monitor requests and results.

When performing cable audits provide details of all drums that have the same Part Number. Record the Drum IDs, Part Numbers and Cable Lengths using the table provided.

Annual Depot Audits – Frequency: Annual

The **MTS SHEQ** team will conduct annual site audits to ensure compliance to stock-holding and security policies. They will raise non-compliance reports for areas of concern with actions to complete.

Section 7: Audit Investigations: Mismatched Materials Counts

If the physical quantity of stock / cable counted **does not match** that shown in MATS, then the **Store's Leads / Warehouse Operatives** at the STA are responsible for completing the following checks to find the discrepancy:

- All deliveries have been accurately recorded in MATS. Logon to MATS and re-check Stock and Cable History for the receipts against the Advance Ship Notes, especially if shortages or surpluses were identified at the time of the delivery as a miscount may have occurred.
- Check the ASNs for Orders starting VK or FS to ensure they have been receipted in MATS.
- All stock/cable brought back to the STA from Engineers has been returned to the STA in MATS.

- Check the issues history for the item in dispute looking for obvious errors, such as the wrong quantity issued (very large or very small compared to other transactions). Check the issues paperwork matching up the item codes and quantities to see if it is a data entry error.
- Count the stock/cable of similar items, the stock may be in the wrong bin location.
- Has stock being issued but not collected and then returned to the stock bin but not returned in MATS?
- If there is a dependant satellite site or parent site, contact their Store's Lead and ask them to count the same item. It is possible the transfer did not take place but the transaction did.
- Verify that unauthorised access has not taken place (check CCTV). If this is the case, then raise this with the General Manager.

If, following the investigation, no reason can be found for the discrepancy the **MTS Audit Administrator** will contact **National Logistics**. National Logistics will notify the Logistics Manager, Openreach and MTS Commercial of the adjustment and it may result in a charge if there is a loss.

Section 8: Formal Audits: Outcomes

Once an audit is complete, there are four potential outcomes:

Right First Time

Stock and cable figures match those expected.

The Audit Administrator will record the STAs physical count:

- In the Audit Tracker and record the result as **Right First Time (RFT)**
- In MATS the result will display as **Audit OK**

Right on Second Count

Figures match those expected following a recount.

The Audit Administrator will record the STAs physical count:

- In the Audit Tracker and record the audit as **Right on Second Count (RSC)**
- In MATS the result will display as **Audit OK**

Positive Count

Count and recount indicates *more physical stock* than is recorded in MATS.

The Audit Administrator will record the physical count in the Audit Tracker and record the audit as Positive.

- The **Store's Lead** will be asked to investigate, carrying out the checks identified in section 7 and reply within 5 working days.
- If the reason is found and error rectified, the Audit Administrator records the STAs physical count in MATS = **Audit OK**
- If the reason cannot be found, the Audit Administrator will seek approval from the **National Store's Lead** to make adjustments in MATS, then the audit is recorded as **Adjust** or **AuditCorrect** to indicate an adjustment has been made.

Negative Count

Count and recount indicates *less physical stock* than is recorded on MATS.

The Audit Administrator will record the physical count in the Audit Tracker and record the audit as Negative.

- **Negative Stock** - the Negative quantity is moved into a *Pending Transaction* location for investigation. The quantity left in original Location is recorded in MATS = **Audit OK**
- **Negative Cable / Drum** - the missing drum is moved into a *Pending Transaction* location for investigation.

Section 10: Pending Transaction Locations

The **Store's Lead** is given five working days to investigate, perform the checks in Section 8 and notify the **MTS Audit Administrator** on completion.

If there has been no response after five working days, the **MTS Audit Administrator** will seek approval from the **Logistics Manager** to make adjustments in MATS, then the audit is recorded as **Adjust** or **Audit Correct** to indicate an adjustment has been made.

The **National Stores' Lead** will notify the General Manager, Openreach (the client) and MTS Commercial of the adjustments. A charge will be levied for the loss to the appropriate contract.

STAs are not to issue from the *Pending Transaction* Location unless it relates to the investigation.




Section 12: Performance Metrics

Formal Audits: RAG Report

Openreach and MTS take the management of both materials very seriously.

At the start of each month, the **MTS Audit Administrator** will produce a **RAG Stores Performance Metrics** report (Red/Amber/Green) using data from the Audit Tracker.

The **Stores Performance Metrics** report will be sent by email to the General Managers, Logistics Manager, National Logistics and STAs with respect to the performance of the STAs' management of materials.

	RED Audit result = Negative count	Action Investigation and charges will be applied to the relevant contract for any lost assets
	AMBER Audit result = Positive count	Action Investigation required and corrective action required
	GREEN Audit result = Correct count	Action No action

Where there is persistent poor performance, deliveries will be temporarily stopped to the STA. Corrective action, in the form of retraining, will be given to Store's Leads, Warehouse Operatives and MATs users and if there are no improvements in performance, it will be closed permanently. The supplier will have to obtain materials from another STA which will result in added costs for the supplier.




Cable drums on issue to Engineers – Frequency: Monthly

All cable drums that have been issued to Engineers but not returned to the STA, will be audited on a monthly basis.

Store's Leads must print out the **Cable with Resources Report**. When an engineer requests cable, the **Store's Lead** must check the report before continuing to issue more cable of the same product code and ask for the return of the previously issued drums.

If the Engineers no longer have the drums, the **Store's Lead** must report this to the MTS Audit Administrator or National Logistics.

The Audit Administrator will email a weekly summary of drums on issue to sites.

	RED	29+ days (potentially chargeable)
	AMBER	15-28 days (potentially coming close to chargeable)
	GREEN	1–14 days (no charge)

Section 13: Document Retention Policy

The retention period is two full calendar years for stores documents. Retain documents relating to audits in a dedicated audit file.