



Regularity audit of Subway MSA financial payment administration

Committee Audit and Standards

Date of meeting 8 June 2018

Date of report 23 May 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the findings of a regularity audit of Subway MSA financial payment administration. This engagement is included in the annual Internal Audit plan for 2017/18.

2. Background

At its meeting of 4 March 2016, the Partnership entered into an agreement with Stadler Bussnang AG/Ansaldo STS consortium for the Manufacturing and Supply Agreement (MSA) of new rolling stock, signalling and control systems, control room and associated equipment.

The Subway Modernisation Manufacturing and Supply (MSA) agreement is managed internally through an internal programme board (IPB) and project delivery team.

SPT's governance framework including the Financial Regulations and Scheme of Delegated Functions detail financial payment administration arrangements.

The objective of this engagement was to identify, assess and evaluate the financial payment administration arrangements in accordance with the terms and conditions for Subway MSA.

This engagement tested elements of the internal controls and mitigation against SPT 25: Rolling stock contract is not delivered to budget, time or quality requirements, as identified in the Corporate Risk register.

3. Outline of findings

Financial payment profiles based upon milestone achievement are outlined in the Subway MSA terms and conditions.

Prior to MSA milestone invoices being submitted for payment, work done requires to be supported by a design sign off form or valuation payment certificate. These documents require to be authorised by a project manager and/or senior project manager. Following sign off, the consortium is permitted to raise a payment request.

Engagement testing (March 2018) identified a requirement for SPT senior management to clarify the designated authority of non-SPT employees engaged in the financial payment administration process for delivery of the Subway Modernisation Manufacturing and Supply (MSA) agreement.

There is an area for improvement, and this has been addressed by an audit recommendation. Senior management have agreed to implement this recommendation, which is currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of Subway MSA financial payment administration. One recommendation has been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the controls in place for the areas covered in this engagement.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report</i>

Name Valerie Davidson

Name Gordon MacLennan

Title Assistant Chief Executive

Title Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance Manager on 0141 333 3195.

Agreed action plan: regularity audit of Subway MSA financial payment administration

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1.	<p><u>Delegated authority</u></p> <p>In accordance with the Scheme of Delegated Functions (Projects paragraph 2):</p> <p><i>'To agree specifications, bills of quantity or descriptions of work for all works contracts of a capital or revenue nature.'</i></p> <p><i>Delegated to: Director of Projects and officers on Grade G and above.'</i></p> <p>Senior Management should clarify the designated authority of non-SPT employees engaged in delivery of the Subway Modernisation programme.</p> <p>The outcome of the assessment should be reported to the Internal Programme Board.</p>	Medium	A review of current arrangements will be undertaken and the outcome will be reported to the Internal Programme Board.	Director of Finance & HR	June 2018

High – A fundamental control that should be addressed as soon as possible;

Medium – An important control that should be addressed as a priority;

Low – An issue which is not fundamental but would improve overall control.