



Regularity audit of Subway (Modernisation) MSA payments

Date of meeting 9 June 2023

Date of report 11 May 2023

Report by Chief Executive

1. Object of report

To advise the committee on the findings of a regularity audit of the Subway (Modernisation) Manufacture and Supply Agreement (MSA) contract payments. This engagement was included in the annual Internal Audit plan 2022/2023.

2. Background to report

The Subway Modernisation programme will deliver a step change in the current Subway assets and operations, to secure Subway as a viable and iconic transport system for Glasgow.

The new Rolling Stock, Signalling and Automated Control Systems workstream is delivered by the Subway Modernisation partner ANSTA (Hitachi and Stadler) and their sub-contracted supply chain under the Manufacture and Supply Agreement (MSA) contract. The Manufacture and Supply Agreement is contractually obligated to deliver 17 train sets (vehicles), Integrated Control System (Signalling and Telecoms), New Operational Control Centre (OCC), Platform Screen Doors (PSD), Part automated depot (stabling and dispatch), New Depot Equipment and Temporary Manufacturing Depot and Test Track.

The MSA contract was approved by the Partnership at its meeting on 4 March 2016. Since the award of contract, six-monthly updates on the MSA contract have been presented to the Partnership (more frequently, if required).

The Financial Regulations and Scheme of delegated Functions contained within the Governance Manual provide policy and procedural guidance to all staff on creditor payment arrangements.

The objective of this engagement was to review the financial payment administration in accordance with the Subway Manufacture and Supply Agreement (MSA) contract.

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

Subway (Modernisation) MSA payments are based on a milestone payment schedule which is clearly stated in the contractual agreement. All payments are made in (£) pounds sterling.

The auditor tested payments made since the contract commenced and found that milestone payment request(s)/invoice(s) were supported by a payment/ valuation certificate, validated by the Subway Modernisation Delivery Manager or a Senior Project Manager in accordance with the Financial Regulations.

Engagement testing found the process of making payments to be satisfactory and in compliance with the Financial Regulations, Standing Orders Relating to Contracts and the MSA contractual payment profile schedule and milestones contained therein.

Key controls exist and are applied consistently and effectively in most areas included in this engagement. Sound assurance in most areas can be taken from this engagement.

4. Committee action

The Committee is asked to note the contents of this report.

5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

Name Neil Wylie
Title **Director of Finance & Corporate Support**

Name Valerie Davidson
Title **Chief Executive**

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