



Regularity audit of Subway annual stocktake

Committee Audit and Standards

Date of meeting 9 September 2016

Date of report 29 August 2016

Report by Assistant Chief Executive (Business Support)

1. Object of report

With reference to the minute of the committee meeting of 17 June 2016, this report is to advise the committee on the findings of a regularity audit of Subway annual stocktake. This engagement is included in the annual Internal Audit plan for 2016/17.

2. Background

The main Subway store is located in the Broomloan depot (Govan) and provides parts and equipment for the maintenance and upkeep of Subway trains and station infrastructure.

A bespoke IT system (Infor) is used for stock administration, management and reporting.

The scheme of delegated functions and the financial regulations contained within the governance manual provide guidance on stockholding records.

The objective of this engagement was to review the Subway annual stocktake arrangements.

This engagement tested elements of the internal controls and mitigation against SPT 6: Security and SPT 22: Governance arrangements, as identified in the corporate risk register.

3. Outline of findings

The financial regulations and year-end procedure 2015/16 require Subway management to complete an annual stocktaking exercise. An annual stocktake was completed for Subway stock over the weekend of 12/13 March 2016. This exercise was co-ordinated by the Subway stores and materials manager.

Engagement testing of the annual stocktake arrangements and stationery used was found to be in accordance with Subway procedures.

The physical count of Subway stock from the annual stocktake found a total net variance of approximately 2% of stock held as at the date of the stocktake and records were adjusted accordingly.

The engagement identified a requirement to review the functionality of the IT system to develop management information provision.

There are some areas for improvement, and these areas have been addressed by three audit recommendations. Subway Operations management have agreed to implement the recommendations.

4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of Subway annual stocktake. Areas for improvement were identified during the engagement and three recommendations have been agreed.

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

Reasonable assurance can be taken from 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 future meeting.

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>

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