



## Regularity audit of Subway stock count

---

**Date of meeting** 9 June 2023

**Date of report** 15 May 2023

### Report by Chief Executive

#### 1. Object of report

To advise the committee on the findings of a regularity audit of Subway stock count. This engagement is included in the annual Internal Audit plan for 2023/2024.

#### 2. Background to report

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

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

The Financial Regulations contained within the governance manual provide guidance on stockholding records.

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

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

#### 3. Outline of findings

The Financial Regulations and financial year-end procedure 2022/2023 require Subway management to complete an annual stocktaking exercise. An annual stock count was completed for Subway stock in March 2023. This exercise was co-ordinated by the Subway stores supervisor.

Engagement testing (March 2023) of the annual stock count arrangements and stationery used was found to be in accordance with the financial year-end and Subway procedures.

The physical count of Subway stock found a net variance of <1% of the value of stock held as at the date of the stock count and records were adjusted accordingly.

Engagement testing of this approach was satisfactory. The auditor analysed post-count data and sample tested the physical stock count of Subway components.

Engagement testing identified a requirement for Subway management to remind supervisory staff of the process for out-of-hours stock and to review the tools and equipment inventory.

These areas for improvement have been addressed by two recommendations which can be found at Appendix 1. Subway management have agreed to implement the recommendations, which are currently being actioned.

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 internal controls in place.

#### 4. 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 recommendation to a meeting in approximately six months.

#### 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.

**APPENDIX 1  
Audit and Standards committee – 9 June 2023**

**Regularity audit of Subway stock count**

The recommendations from this engagement are listed in the following table. The priorities are defined as follows:

- High:** A fundamental control that should be addressed as soon as possible;  
**Medium:** An important control that should be addressed within three months;  
**Low:** An issue which is not fundamental but should be addressed within six months to improve the overall control environment.

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	<p><u>Stock records</u></p> <p>Subway Maintenance supervisors/line management should be reminded of the requirement to record all stock issues/returns, especially when work is undertaken out of office hours/weekends.</p>	High	Reminder to be issued to all staff via the start of shift brief.	Shift Service Delivery Manager	April 2023
2	<p><u>Small tools and equipment inventory</u></p> <p>Subway Maintenance management should compile a small tools and equipment inventory, in accordance with Financial Regulations requirements.</p>	Medium	Subway Maintenance small tools and equipment to be captured on a tracker/maintenance management system for asset management.	Shift Service Delivery Manager	July 2023