



Regularity audit of Subway annual stockcount

Committee Audit and Standards

Date of meeting 28 August 2020

Date of report 16 June 2020

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the findings of a regularity audit of Subway annual stockcount. This engagement is included in the annual Internal Audit plan for 2020/2021.

2. Background

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 bespoke 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 stockcount 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 2019/2020 require Subway management to complete an annual stocktaking exercise. An annual stock count was completed for Subway stock between 6 and 8 March 2020. This exercise was co-ordinated by the Subway stores and materials manager.

Engagement testing (March 2020) of the annual stock count arrangements and stationery used was found to be in accordance with Subway procedures.

The physical count of Subway stock from the annual stockcount found a net variance of <1% of stock held as at the date(s) of the stock count and records were adjusted accordingly.

The engagement identified a requirement for Subway stores staff to receive additional/refresher training on the use of the Infor system.

There is an area for improvement, and this area has been addressed by one audit recommendation. Subway management have agreed to implement the recommendation.

4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of Subway annual stockcount. An area for improvement was identified during the engagement and a recommendation has 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 recommendation 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>
Equalities 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.

**Reasonable
assurance**

Agreed action plan: Regularity audit of Subway annual stock count

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	<p><u>Stock management system reporting</u></p> <p>Subway stores management should request and receive additional training on the Infor digital system to include the following:</p> <ul style="list-style-type: none">• Ad-hoc and exceptions reporting to enhance management information;• Creation of standard reports to enhance monitoring arrangements;• Development of retrospective date range reporting. <p>Note: reports should permit verification (e-checks) on numeric fields and data should be presented in a linear fashion.</p>	Medium	Stores management will liaise with the Infor systems administrator to arrange for stores staff to receive additional/refresher training on reporting (from the system).	Stores and Materials manager	September 2020*

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.

***Note:** the due date has been extended due to the impact of coronavirus.