

## Contract audit of advertising income

**Committee**            Audit and Standards

**Date of meeting**    1 December 2017

**Date of report**    16 November 2017

### Report by Assistant Chief Executive (Business Support)

#### 1. Object of report

To advise the committee on the findings of a contract audit of advertising income. This engagement is included in the annual Internal Audit plan for 2017/18.

#### 2. Background

SPT has awarded three separate contracts for the management, development, selling and maintenance of advertising space, namely:

- Subway stations, train cars and bus stations advertising from 1 April 2017 awarded to Exterior Media in March 2017;
- Roadside advertising from 1 April 2017 awarded to Forrest Outdoor Media in March 2017; and
- Bus shelter advertising awarded to Primesight Ltd. in September 2014.

Advertising infrastructure includes a mix of digital screens and panels, a video wall, bus shelter panels, multi-sheet paper posters, and Subway carriage cards and ambient sites.

The objectives of this engagement were to review and evaluate the contract management arrangements including an analysis of all income received throughout the duration of expired contracts (up to 31 March 2017) and to review the arrangements for the new advertising contract(s) commencing on 1 April 2017.

This engagement tested elements of the internal controls and mitigation against SPT 11: current economic conditions, as identified in the corporate risk register.

#### 3. Outline of findings

The contract management arrangements are split between Customer Standards (for the Subway and bus stations contract and Roadside advertising) and Bus Services (for bus shelters). This arrangement is currently subject to review.

Engagement testing (July 2017) found a requirement to review, update and enhance key performance indicator (KPI) provision.

Engagement testing also identified a requirement to review contractor billing to reduce administration and enhance monitoring arrangements.

There are areas for improvement, and these areas have been addressed by six audit recommendations. Customer Standards and Bus Services management have agreed to implement these recommendations, which are currently being actioned.

#### 4. Conclusions

The Audit and Assurance team has undertaken a contract audit of advertising income. Areas for improvement have been identified and six recommendations have been agreed.

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

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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