



Regularity audit of Subway annual stockcount

Committee Audit and Standards

Date of meeting 8 June 2018

Date of report 23 May 2018

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 2018/19.

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 2017/18 require Subway management to complete an annual stocktaking exercise. An annual stockcount was completed for Subway stock between 2 and 5 March 2018. This exercise was co-ordinated by the Subway stores and materials manager.

Engagement testing of the annual stockcount arrangements and stationery used by non-operational staff was found to be in accordance with Subway procedures.

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

The engagement identified a requirement to identify and, where appropriate, dispose of obsolete stock in-year in accordance with the Financial Regulations.

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

4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of Subway annual stockcount. Areas for improvement were identified during the engagement and two 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 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>
Social Inclusion 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.

Agreed action plan: regularity audit of Subway annual stockcount

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1.	<p><u>Obsolete stock</u></p> <p>In line with the Financial Regulations '<i>obsolete stock should be identified and disposed of in accordance with guidelines issued by, or as instructed by, the Director of Finance & HR, the aim being to obtain the maximum benefit to the authority.</i>'</p>	Medium	Subway management will arrange for obsolete stock to be disposed of in accordance with guidelines.	Depot Manager (Subway)/ Stores & Materials Manager	June 2018
2.	<p><u>Recording of items in stores system</u></p> <p>Stores management should review the arrangements for recording in house assembled items in the stores (digital) system.</p>	Medium	Subway management will review in house assembled items recorded in the stores system.	Stores & Materials Manager	June 2018

High – A fundamental control that should be addressed as soon as possible;

Medium – An important control that should be addressed as a priority;

Low – An issue which is not fundamental but would improve overall control.