



## Regularity audit of Subway annual stockcount

**Committee**            Audit and Standards

**Date of meeting**    15 September 2017                      **Date of report**    21 June 2017

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

#### 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 2017/18.

#### 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 IT 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 year-end procedure 2016/17 require Subway management to complete an annual stocktaking exercise. An annual stocktake was completed for Subway stock between 16 and 22 March 2017. 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 stockcount found a variance of approximately 4% of stock held as at the date(s) of the stock count and records were adjusted accordingly.

The engagement identified a requirement to review the IT system reporting provision.

There are some areas for improvement, and these areas have been addressed by four 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 four 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 recommendation 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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**Title** **Assistant Chief Executive  
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