



## External Audit Plan 2022/2023

**Committee**            Audit and Standards

**Date of meeting**    17 February 2023

**Date of report**    26 January 2023

### Report by Director of Finance & Corporate Support

#### 1. Object of report

To advise the committee of the External Audit Plan for 2022/2023 from Audit Scotland, SPT's external auditors.

#### 2. Background

This External Audit Plan summarises Audit Scotland's work plan for the 2022/2023 external audit of Strathclyde Partnership for Transport ("SPT") and Strathclyde Concessionary Travel Scheme Joint Committee ("SCTS"). The core elements of Audit Scotland's work include:

- evaluation of the key controls within the main accounting systems;
- an audit of the annual accounts, and provision of an Independent Auditor's Report;
- an audit opinion on other statutory information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the Remuneration Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes;
- consideration of Best Value arrangements; and
- providing assurance on the Whole of Government Accounts (WGA) and Railway Safety Levy return.

#### 3. Outline of proposals

The External Audit Plan 2022/2023 is attached for noting at Appendix 1.

#### 4. Committee action

The committee is asked to note the details of the External Audit Plan for 2022/2023.

#### 5. Consequences

Policy consequences                      *None.*

Legal consequences	<i>It is a legal requirement to have externally audited financial statements.</i>
Financial consequences	<i>As detailed in the report</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

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<b>Title</b>	<b>Director of Finance &amp; Corporate Support</b>	<b>Title</b>	<b>Chief Executive</b>

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# Strathclyde Partnership for Transport & Strathclyde Concessionary Travel Scheme Joint Committee

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Strathclyde Partnership for Transport & Strathclyde Concessionary  
Travel Scheme Joint Committee

February 2023

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# Introduction

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## Summary of planned audit work

1. This document summarises the plan for our 2022/23 external audit of the Strathclyde Partnership for Transport (SPT) and the Strathclyde Concessionary Travel Scheme Joint Committee (SCTS). The [Code of Audit Practice 2021](#) sets out our audit responsibilities. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual accounts, and provision of an Independent Auditor's Report
- an audit opinion on other statutory information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- providing assurance on the Whole of Government Accounts (WGA) and Railway Safety Levy return.

2. The [Code of Audit Practice](#) reflects a more limited audit of wider-scope areas for any public bodies that are less complex owing to their size and limited financial activity (referred to as Less Complex Bodies). [Code of Audit Practice: Supplementary Guidance](#) supports auditors in planning the audits of less complex bodies. Based on the size of the body, the limited financial activity of the Scheme, and the results of our risk assessment procedures to date, we have assessed SCTS as a less complex body for the purposes of the Code and for planning our audit.

## Audit Appointment

3. We are pleased to be appointed as the external auditor of SPT and SCTS for the period 2022/23 to 2027/28 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

4. In the first year of the audit appointment we invest significant time gaining an understanding of your businesses and identifying and assessing the risks of material misstatement to the accounts. A number of the International Standards on Auditing (ISAs) applicable to the 2022/23 audit have been revised in order to strengthen auditors' assessment and identification of risks. In particular, the

revised ISA (UK) 315 (*Identifying and Assessing the Risks of Material Misstatement*) places greater demands on auditors to understand an entity's IT processes and controls relevant to the financial statements. This includes consideration of the cyber security arrangements.

**5.** In response to the revised ISAs, we have enhanced our risk assessment process and focused our audit response on identified risks. In the first year of our audit this may result in additional inquiries and information requests, especially regarding your use of IT. However, it will allow us to tailor our audit approach on the areas of greatest risk.

**6.** The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

## Adding value

**7.** We aim to add value to SPT and SCTS through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help the SPT and SCTS promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit and Standards Committee and actively participate in discussions.

## Respective responsibilities of the auditor and SPT & SCTS

**8.** The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and SPT & SCTS. Key responsibilities are summarised below.

### Auditor responsibilities

**9.** Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

**10.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at SPT and SCTS. In doing this, we aim to support improvement and accountability.

### SPT & SCTS responsibilities

**11.** SPT and SCTS are responsible for maintaining accounting records and preparing accounts that give a true and fair view.

**12.** SPT and SCTS have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

# Financial statements audit planning

## Introduction

**13.** The annual accounts are an essential part of demonstrating SPT and SCTS's stewardship of resources and its performance in the use of those resources.

**14.** We focus our work on the areas of highest risk. As part of our planning processes, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**15.** Materiality is an expression of the relative significance of a matter in the context of the annual accounts. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any misstatements on the accounts. We are required to plan our audit to determine with reasonable confidence whether the annual report and accounts are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

## Materiality levels for the 2022/23 SPT and SCTS audits

**16.** The materiality values for SPT and SCTS are set out in [Exhibit 1](#).

## Exhibit 1

### 2022/23 Materiality levels for SPT and SCTS

Materiality	SPT	SCTS
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements.	£7.2 million	£59 thousand

For SPT, it has been set at 1.5% of net assets based on the latest audited accounts for 2021/22. We have used net assets as the basis for materiality, as the service potential of the assets held are an important contributor to SPT's ability to deliver its critical services. This approach is in line with ISA (UK) 320 (*Materiality in planning and performing an audit*) and Practice Note 10 (*Audit of financial statements and regularity of public sector bodies in the United Kingdom*).

For SCTS, materiality has been set at 2% of gross expenditure based on the latest audited accounts for 2021/22.

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<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered.	£4.6 million	£44 thousand
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Using our professional judgement, we have assessed performance materiality for SPT at 65% of planning materiality.

At SCTS, we have assessed performance materiality at 75% of planning materiality.

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<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.070 million	£3 thousand
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Source: Audit Scotland

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## Significant risks of material misstatement to the SPT annual accounts

**17.** Our risk assessment draws on our cumulative knowledge of SPT, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meeting with internal audit, and a review of supporting information.

**18.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

**19.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the SPT annual accounts. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.



**Exhibit 2**

## 2022/23 Significant risks of material misstatement to the SPT annual accounts

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focussed testing of accounting accruals and prepayments.</li> </ul>
<p><b>2. Risk of material misstatement caused by fraud in expenditure third party payments</b></p> <p>In line with Practice Note 10: <i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, as most public-sector bodies are net spending bodies, auditors should presume there is a risk of material misstatement caused by fraud in expenditure.</p> <p>We have rebutted this risk for all expenditure streams, other than third party payments. SPT's other</p>	<ul style="list-style-type: none"> <li>• Participating in the National Fraud Initiative (NFI) and investigation of all high risk matches</li> <li>• Set procedures, including layers of authorisations, for the processing of payments and the updating of supplier standing data</li> <li>• All supplies and services procured must be done so whilst complying with SPT's overall Governance Manual and in</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the controls in place over accounting for third party payments including procurement procedures.</li> <li>• Review of budget monitoring reports focussing on significant budget variances.</li> <li>• Analytical procedures on expenditure streams.</li> <li>• Review progress in investigating National Fraud Initiative (NFI) matches.</li> <li>• Detailed testing of expenditure transactions with a focus on third party payments.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>areas of expenditure, such as staff costs, can be readily forecast on a predictable pattern of spend.</p> <p>Third party payments (£17.887 million in 2021/22), including bus operations payments, are however made primarily to private sector bodies and are subject to more complex procurement arrangements. We have therefore assessed that there is a material misstatement due to the risk of fraud over third party payment expenditure.</p>	<p>particular the Standing Orders in Relation to Contracts.</p> <ul style="list-style-type: none"> <li>• In addition to the Standing Orders in Relation to Contracts SPT has an experienced Procurement Team who ensure that the Standing Orders are complied with</li> <li>• For payments to Bus Operators a Dynamic Purchasing System (DPS) is utilised with the single procurement document embodied within it. To gain access to the DPS all companies are assessed for legal compliance with the single procurement document. In addition, all Bus Operators have to have an Operating License, which is issued by the Traffic Commissioner after a series of robust checks.</li> </ul>	
<p><b>3. Estimation and judgement in the valuation of non-current assets</b></p> <p>There is a significant degree of subjectivity in the</p>	<ul style="list-style-type: none"> <li>• Revaluations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors</li> </ul>	<ul style="list-style-type: none"> <li>• Review the information provided to the external valuer to assess for completeness.</li> <li>• Evaluate the competence, capabilities, and objectivity of the professional valuer.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>valuation of non-current assets. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>SPT held land and buildings, and investment properties, with a combined net book value of £128.213 million at 31 March 2022. All land and buildings and investment properties are expected to be revalued as at 31 March 2023.</p>	<ul style="list-style-type: none"> <li>• Detailed working papers retained to support asset reviews and impairments</li> <li>• Annual impairment review undertaken with specific focus on subway assets, which may be rendered obsolete by the planned investment in new assets.</li> <li>• A sub ledger is in place to capture all spend of a capital nature.</li> <li>• The Governance Manual and Financial Regulations in particular define the procedure to be adhered to for asset disposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Test the reconciliation between the financial ledger and the asset register.</li> <li>• Critically assess the adequacy of SPT's disclosures regarding the assumptions in relation to the valuation of non-current assets.</li> </ul>

Source: Audit Scotland

## Other area of audit focus

**20.** As part of our assessment of audit risks, we have identified one other area where we consider there is also a risk of material misstatement to the annual accounts. Based on our assessment of the likelihood and magnitude of the risk, we do not consider this to represent a significant risk. We will keep this area under review as our audit progresses. If our assessment of risk changes and we consider this risk to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

**21.** The other area of specific audit focus is:

- **Pension asset:** SPT had a pension asset of £30.586 million at 31 March 2022. This an area of audit focus due to the material value and significant assumptions used in the calculation of the asset.

## Consideration of the risks of fraud in the recognition of revenue income in SPT

**22.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the annual accounts. We have rebutted this risk as funding received from local authorities and the Scottish Government is clearly communicated and can be readily agreed to third party confirmations. SPT's other material income streams comprise of a high volume of low value transactions, for example subway ticket income, and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the annual accounts.

**23.** We have not, therefore, incorporated specific work into our audit plan in this area over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual transactions or accounting entries.

## Significant risks of material misstatement to the SCTS annual accounts

**24.** Based on our risk assessment process, we identified the following significant risk of material misstatement to the SCTS annual accounts. [Exhibit 3](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

### Exhibit 3

#### 2022/23 Significant risks of material misstatement to the SCTS annual accounts

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Substantive testing of income and expenditure transactions around the year-</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>2. Risk of material misstatement caused by fraud in expenditure – payments to operators</b></p> <p>In line with Practice Note 10: <i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, as most public-sector bodies are net spending bodies, auditors should presume there is a risk of material misstatement caused by fraud in expenditure.</p> <p>We have rebutted this risk for all expenditure streams, other than payments to operators. SCTS's other expenditure stream, corporate costs, are recharges from SPT relating to administrative support provided to the Scheme where there is limited opportunity for fraud.</p> <p>Payments to operators (£2.645 million in 2021/22) are however based on claims made, and data held, by operators in the private sector. These require review by SCTS before claims are paid out, and an estimated balance is outstanding at the year-end for claims not received.</p>	<ul style="list-style-type: none"> <li>• Data provided by Operators in relation to claims is checked for accuracy and also reasonableness based on previous payments.</li> <li>• Overall payment to Operator spend including financial forecast is presented to the Strathclyde Concessionary Travel Scheme Joint Committee.</li> <li>• Interim payments are made on a monthly basis based on approximately 85% of the amount due with regular reconciliations taking place to clear the outstanding balance.</li> <li>• Each year operators must provide a certificate of accuracy.</li> </ul>	<p>end to confirm they are accounted for in the correct financial year.</p> <ul style="list-style-type: none"> <li>• Focussed testing of accounting accruals.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Review of the controls in place over accounting for payments to operators.</li> <li>• Review of budget monitoring reports focussing on significant budget variances.</li> <li>• Analytical procedures on expenditure streams.</li> <li>• Detailed testing of expenditure transactions with a focus on payments to operators.</li> <li>• Testing of the year-end creditor balance to confirm this includes a reasonable estimate of 2022/23 claims still to be made.</li> </ul>

## Consideration of the risks of fraud in the recognition of revenue income in SCTS

**25.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the annual accounts. We have rebutted this risk as SCTS's only material income stream relates to contributions to the Scheme from local authorities. This funding is clearly communicated and can be readily agreed to third party confirmations. We have concluded there is limited opportunity or incentive to manipulate the recognition of income in the annual accounts.

**26.** We have not, therefore, incorporated specific work into our audit plan in this area over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual transactions or accounting entries.

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# Wider Scope and Best Value

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## Introduction

**27.** The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

**28.** In summary, our work on the four wider scope areas will be risk based and proportionate and on SPT will cover the following:

- **Financial management** means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **Vision, leadership and governance** – we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by SPT. We also consider the effectiveness of the governance arrangements to support delivery.

SPT is participating in the National Fraud Initiative (NFI) in Scotland in 2022/23. We will monitor progress made with investigating the matches identified by this process.

- **Use of resources to improve outcomes** – we will consider how the SPT demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

In 2022/23 we have been asked to gather some basic information on the arrangements for responding to climate change in all bodies.

**29.** On SCTS, as a less complex body, we will limit our work to conclude on the appropriateness of the disclosures in the governance statement, the financial sustainability of the body and services it delivers and report on the arrangements for securing Best Value.

## Wider scope risks

**30.** We have identified wider scope audit risks, as identified in [Exhibit 4](#) (SPT) and [Exhibit 5](#) (SCTS). These exhibits set out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

### Exhibit 4

#### 2022/23 wider scope risk for SPT

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Planning for financial sustainability</b></p> <p>The development of a new Regional Transport Strategy (RTS) has started. Delivery and financial plans will need to be aligned to the new strategy.</p> <p>The medium-long term financial strategy which has not be updated since the start of the pandemic also requires updating.</p> <p>We understand that an updated financial strategy is due to be presented to the Partnership alongside the 2023/24 budget.</p> <p><b>Risk:</b> Without an updated financial strategy, the Partnership may not effectively plan the financial sustainability of its services.</p>	<ul style="list-style-type: none"> <li>• Internal 4 weekly reporting on performance against budget to all budget managers and the Strategy Group.</li> <li>• Regular monitoring and reporting to the Partnership on the financial position.</li> <li>• Significant recovery in subway patronage which has positively impacted the Partnership's financial position.</li> <li>• The Long Term Financial Strategy (LTFS) for SPT will be presented to the Strategy &amp; Programmes Committee on 17 February 2023. It was agreed with previous external auditors that given the uncertainty caused by the COVID-19 pandemic that there was little point in updating the LTFS from the 2019/20 version.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor progress with approval of a new RTS and updated delivery plans.</li> <li>• Monitor progress in developing a revised medium-long term financial strategy to reflect the RTS.</li> <li>• Assessment of the revised financial strategy and to conclude whether this includes appropriate scenario planning to address any identified budget gaps and pressures.</li> <li>• Review of budget monitoring reports presented to the Strategy &amp; Programmes Committee.</li> <li>• Review of the Partnership's year-end reserves position, including the earmarking of reserves.</li> </ul>
<p><b>2. Delivery of the capital programme</b></p> <p>SPT has a challenging capital programme, including the ambitious subway modernisation programme. As reported to the Strategy and Programmes Committee</p>	<ul style="list-style-type: none"> <li>• Internal 4 weekly reporting on performance against budget to all budget managers and the Strategy Group.</li> <li>• Regular monitoring and reporting on the capital programme to the</li> </ul>	<ul style="list-style-type: none"> <li>• Review of capital monitoring reports and subway modernisation progress reports.</li> <li>• Assess progress with the capital programme at the year-end, including the reasons for any delays or cost increases to the programme.</li> </ul>



Description of risk	Sources of assurance	Planned audit response
<p>in November 2022, 2022/23 planned capital spend is £63.386 million, including spend of £37.178 million on the subway modernisation programme.</p> <p>At 31 March 2022 £40.166 million is included in SPT's reserves relating to capital funding received from Transport Scotland in advance of payments on the programme.</p> <p><b>Risk:</b> Current pressures on contractor and supplies markets and inflationary costs could impact on delivery of the programme.</p>	<p>Strategy and Programmes Committee.</p> <ul style="list-style-type: none"> <li>Subway modernisation programme remains within the approved budget, including programme contingency and available funding.</li> <li>SPT has a specific Programme Office for monitoring and supporting internal projects.</li> <li>SPT works in partnership with the Local Authorities it grant funds and obtains regular updates on performance against budget in year.</li> </ul>	

Source: Audit Scotland

**31.** Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole.

## Exhibit 5

### 2022/23 wider scope risk for SCTS

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Financial Sustainability of the Concessionary Travel Scheme</b></p> <p>In 2019, the SCTS Joint Committee were advised that without intervention, the Scheme in its current form was not sustainable with a maximum of two years' worth of funding reserves remaining. A revised concessionary</p>	<ul style="list-style-type: none"> <li>Given the forecasted surplus in 2022/23, the Joint Committee agreed to pause the implementation of the new fares structure until April 2023 at the earliest.</li> <li>The budget for future years and recommendations on fares will be presented to the SCTS Joint Committee on 17<sup>th</sup> March</li> </ul>	<ul style="list-style-type: none"> <li>Monitor the implementation of the revised fare scheme.</li> <li>Review the year-end position and evaluate the financial sustainability of the scheme in the medium-long term.</li> </ul>

Description of risk	Sources of assurance	Planned audit response
<p>fares structure was agreed in 2021 to address this risk.</p> <p>The reduction in passenger numbers in the last two years has improved the financial position of the scheme, and led to a delay in the implementation of the revised fares structure.</p> <p><b>Risk:</b> The scheme is financially unsustainable in its current form should concessionary passenger numbers return to pre-pandemic levels.</p>	<p>2023 incorporating and updated assessment on the long-term financial viability of the scheme.</p>	

Source: Audit Scotland

## Best Value

**32.** Auditors have a duty to be satisfied that bodies that fall within section 106 of the 1973 Act have made proper arrangements to secure Best Value. We will consider how SPT and SCTS demonstrates that it is meeting its Best Value responsibilities and we will report our findings as part of our Annual Audit Report.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**33.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 6](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**34.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**35.** We will provide an independent auditor's report to Strathclyde Partnership for Transport (SPT), Strathclyde Concessionary Travel Scheme Joint Committee (SCTS) and the Accounts Commission setting out our opinions on the annual accounts. We will provide SPT, SCTS and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**36.** [Exhibit 6](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 30 September 2023.

## Exhibit 6

### 2022/23 Audit outputs

Audit Output	Target date	Audit and Standards Committee
Annual Audit Plan	31 March 2023	17 February 2023 Audit & Standards Committee
Annual Audit Report	30 September 2023	8 September 2023 Audit & Standards Committee
Independent Auditor's Report	30 September 2023	8 September 2023 Audit & Standards Committee

Source: Audit Scotland



## Timetable

**37.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 7](#) that has been discussed with management.

**38.** Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

**39.** We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

## Exhibit 7 Proposed annual accounts timetable

 Key stage	 Provisional Date
Audit certification of the Railway Safety Levy	31 May 2023
Consideration of the unaudited accounts by those charged with governance	23 June 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	23 June 2023
Latest date for final clearance meeting with the Director of Finance & Corporate Services, agreement of the audited and unsigned annual accounts and the proposed annual audit report	18 August 2023
Presentation of proposed Annual Audit Report to those charged with governance.	8 September 2023
Agreement of audited and unsigned annual report and accounts by those charged with governance	8 September 2023
Approval of the Strathclyde Concessionary Travel Scheme Joint Committee annual accounts by the Joint Committee, Independent Auditor's Report signed electronically following this approval.	29 September 2023
Approval of the Strathclyde Partnership for Transport annual accounts by the Partnership, Independent Auditor's Report	29 September 2023

**Key stage****Provisional Date**

signed electronically following this approval and the final Annual Audit Report issued.

Latest date for WGA assurance

To be confirmed

Source: Audit Scotland

## Audit fee

**40.** In determining the audit fee, we have taken account of the risk exposure of the SPT & SCTS and the planned management assurances in place. The proposed SPT audit fee for 2022/23 is £85,570 (£76,120 in 2021/22), and proposed audit fee for SCTS is £6,210 (£5,520 in 2021/22), as set out in [Exhibit 8](#).

### Exhibit 8

Audit fees (including VAT)

Fee component	SPT Fees (£)	SCTS Fees (£)
2022/23 Audit fee	84,820	6,210
Railway Safety Levy Audit Certification	750	N/A
Total 2022/23 fee	85,570	6,210

Source: Audit Scotland

**41.** In setting the fee for 2022/23 we have assumed that SPT & SCTS have effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

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# Other matters

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## Internal audit

**42.** It is the responsibility of the SPT and SCTS to establish adequate internal audit arrangements. The internal audit function is provided by SPT's internal audit section led by the Audit & Assurance Manager.

**43.** While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on the accounts and our wider scope audit responsibilities.

## Independence and objectivity

**44.** Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the accounts, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

**45.** Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**46.** The appointed auditor for Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme is Fiona Mitchell-Knight FCA, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme.

## Audit Quality

**47.** Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

**48.** Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC1). This set out an audit practice's responsibilities for its system of quality control for audits.

**49.** Two new audit quality standards apply from 2022/23; Internal Standard on Quality Management (ISQM) 1 and 2 and will replace ISQC1. Work is underway at Audit Scotland to meet the requirements of these quality standards.

**50.** Audit Scotland are committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and [supplementary guidance](#)) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

**51.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

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# Appendix 1. Your audit team

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**52.** The audit team involved in the audit of Strathclyde Partnership of Transport (SPT) and Strathclyde Concessionary Travel Scheme (SCTS) have significant experience in public sector audit.

Fiona Mitchell-Knight FCA  
Audit Director  
[FMitchell-Knight@audit-scotland.gov.uk](mailto:FMitchell-Knight@audit-scotland.gov.uk)

Fiona is the appointed auditor and engagement lead for the audit of SPT and SCTS. Fiona has 30 years of public sector auditing experience across local authorities, health boards and colleges.

David Jamieson CPFA  
Senior Audit Manager  
[DJamieson@audit-scotland.gov.uk](mailto:DJamieson@audit-scotland.gov.uk)

David has over 30 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Jack Kerr CA  
Senior Auditor  
[JKerr@audit-scotland.gov.uk](mailto:JKerr@audit-scotland.gov.uk)

Jack has experience of delivering audits across several areas of the Scottish public sector. Jack will be your primary contact and will be responsible for the day-to-day management of both SPT and SCTS audits.

**53.** The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.



# Strathclyde Partnership for Transport & Strathclyde Concessionary Travel Scheme

## Annual Audit Plan 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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