

# Strathclyde Concessionary Travel Scheme Joint Committee



## 2022/2023 Annual Audit Report

**Date of meeting** 29 September 2023

**Date of report** 11 September 2023

### Report by Treasurer

#### 1. Object of report

The object of this report is to provide the Committee with the '2022/23 Annual Audit Report to members of the Strathclyde Concessionary Travel Scheme Joint Committee and the Controller of Audit'.

#### 2. Background

Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC) agreed previously that, as common systems were utilised, it was appropriate that SPT's committees would scrutinise the annual accounts and annual audit report on its behalf, and these would subsequently be submitted to the next available Joint Committee for noting.

#### 3. Outline of Proposals

The covering letter and 2022/2023 Annual Audit Report to members of the Strathclyde Concessionary Travel Scheme Joint Committee and the Controller of Audit is attached for noting at Appendix 1 and Appendix 2 respectively. The report was considered and noted, as previously agreed by the Joint Committee, by the Audit & Standards Committee on 8 September 2023.

#### 4. Conclusions

There are no issues that need to be brought to the committee's attention in relation to the finalised Audit Report by Audit Scotland for the SCTSJC.

#### 5. Committee Action

The committee is asked to note the details of the covering letter and the 2022/2023 Annual Audit Report for SCTSJC.

#### 6. Consequences

Policy consequences	<i>None.</i>
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>

**Name** Neil Wylie

**Title** **Treasurer**

**Strathclyde Concessionary Travel Scheme Joint Committee**

For further information, please contact *Neil Wylie, Treasurer*, on *0141 333 3380*.

## Audit and Standards Committee

8 September 2023

### Strathclyde Concessionary Travel Scheme Joint Committee Audit of 2022/23 annual accounts

#### Independent auditor's report

1. Our audit work on the 2022/23 annual accounts is now substantially complete. Subject to [the satisfactory conclusion of the outstanding matter referred to later in this letter, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 29 September 2023 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Standards Committee's consideration our draft annual report on the 2022/23 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

#### Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit and Standards Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

#### Representations from the Treasurer

8. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.

**9.** A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

### **Outstanding matters**

**10.** There is one area where we still require additional information. This relates to bank letters outstanding from the institutions the Joint Committee holds accounts or investments with. The letters are used to confirm the Joint Committee's cash balances.

## Appendix A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of Strathclyde Concessionary Travel Scheme Joint Committee and the Accounts Commission

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Treasurer and Audit and Standards Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The Audit and Standards Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement and Statement of Responsibilities.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA  
Audit Director  
Audit Scotland  
4<sup>th</sup> Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow, G2 1BT

29 September 2023



## **Appendix B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead**

Fiona Mitchell-Knight, Audit Scotland  
4th Floor,  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

29 September 2023

Dear Fiona,

### **Strathclyde Concessionary Travel Scheme Joint Committee Annual Accounts 2022/23**

**1.** This representation letter is provided about your audit of the annual accounts of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

**2.** I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Strathclyde Concessionary Travel Scheme Joint Committee's annual accounts for the year ended 31 March 2023.

#### **General**

**3.** Strathclyde Concessionary Travel Scheme Joint Committee and I have fulfilled our statutory responsibilities for the preparation of the 2022/23 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Strathclyde Concessionary Travel Scheme Joint Committee have been recorded in the accounting records and are properly reflected in the financial statements.

**4.** I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### **Financial Reporting Framework**

**5.** The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (2022/23 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

**6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Strathclyde Concessionary Travel Scheme Joint Committee at 31 March 2023 and the transactions for 2022/23.

#### **Accounting Policies & Estimates**

**7.** All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2022/23 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Strathclyde Concessionary Travel Scheme Joint Committee's circumstances and have been consistently applied.

**8.** The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

**9.** I have assessed Strathclyde Concessionary Travel Scheme Joint Committee's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Strathclyde Concessionary Travel Scheme Joint Committee's ability to continue as a going concern.

### **Liabilities**

**10.** All liabilities at 31 March 2023 of which I am aware have been recognised in the annual accounts.

**11.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

**12.** There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2022/23 accounting code and IAS 37.

### **Fraud**

**13.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**14.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**15.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2022/23 accounting code. I have made available to you the identity of all the Strathclyde Concessionary Travel Scheme Joint Committee's related parties and all the related party relationships and transactions of which I am aware.

## **Management commentary**

**16.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

**17.** I confirm that the Strathclyde Concessionary Travel Scheme Joint Committee has undertaken a review of the system of internal control during 2022/23 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**18.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2023, which require to be reflected.

## **Events Subsequent to the Date of the Balance Sheet**

**19.** All events subsequent to 31 March 2023 for which the 2022/23 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Treasurer

# Strathclyde Concessionary Travel Scheme Joint Committee

## 2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Strathclyde Concessionary Travel Scheme Joint Committee and the  
Controller of Audit

September 2023

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# Key messages

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## 2022/23 annual accounts

- 1 Audit opinions on the annual accounts are unmodified. The financial statements and related reports are free from material misstatement.
- 2 No changes were required to the accounts following our audit.

## Wider scope audit findings on financial sustainability

- 3 The Joint Committee operated within its budget for 2022/23. Its reserves now stand at £5.025 million.
- 4 The Joint Committee has agreed to delay the introduction of a revised fare structure until April 2024 at the earliest when clearer passenger travel demand patterns may be more established.
- 5 The 2023/24 budget is based on patronage increasing to 75-80% of pre-Covid levels however this is not certain and there may be an impact on the budget.
- 6 We have no improvement recommendations to report from our audit.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of Strathclyde Concessionary Travel Scheme Joint Committee (SCTS). The scope of the audit was set out in an annual audit plan presented to the 17 March 2023 meeting of the Joint Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Strathclyde Concessionary Travel Scheme Joint Committee's annual accounts
- conclusions on wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability and Best Value.

**2.** This report is addressed to Strathclyde Concessionary Travel Scheme Joint Committee and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, Fiona Mitchell-Knight FCA, have been appointed by the Accounts Commission as auditor of Strathclyde Concessionary Travel Scheme Joint Committee for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** My team and I would like to thank joint committee members, senior management, and other staff, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

**5.** Strathclyde Concessionary Travel Scheme Joint Committee has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Strathclyde Concessionary Travel Scheme Joint Committee is also responsible for compliance with legislation putting arrangements in place for governance and propriety.

**6.** The responsibilities of an independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

**7.** The weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist.

Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** We have no improvement recommendations to report from our audit.

## **Auditor Independence**

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £6,210 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to Strathclyde Concessionary Travel Scheme Joint Committee by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.



# Part 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

## Main judgements

Audit opinions on the annual accounts are unmodified.

### Audit opinions on the annual accounts are unmodified

11. The annual accounts for the year ended 31 March 2023 were considered by SPT's Audit and Standards Committee on 8 September 2023 and approved by Strathclyde Concessionary Travel Scheme (SCTS) Joint Committee on 29 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

### Overall materiality was assessed as £75,000

12. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£75,000
Performance materiality	£56,000
Reporting threshold	£4,000

**13.** The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**14.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting factors such as findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

**15.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**16.** Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to SPT's Audit and Standards Committee and the SCTS Joint Committee, including our view about the qualitative aspects of the body's accounting practices.

**17.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

**18.** We are pleased to report that we have no issues to report from the audit.

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

**19.** We have obtained audit assurances over the identified significant risks of material misstatement to the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 2

#### Identified significant risks of material misstatement in the annual accounts

Audit risk	Audit response	Results and conclusions
<b>1. Risk of material misstatement due to fraud caused by the management override of controls</b>	<ul style="list-style-type: none"> <li>We assessed the design and implementation of controls over journal entry processing.</li> <li>We made inquiries of staff.</li> </ul>	<p><b>Conclusion:</b></p> <p>No management override of controls was identified.</p>

Audit risk	Audit response	Results and conclusions
<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>	<ul style="list-style-type: none"> <li>• We tested journals and accruals at the year-end along with post-closing entries and focussed on significant risk areas.</li> <li>• We evaluated significant transactions outside the normal course of business.</li> <li>• We substantively tested income and expenditure transactions around the year end to confirm they were accounted for in the correct financial year.</li> </ul>	
<p><b>2. Risk of material misstatement caused by fraud in expenditure – payments to operators</b></p> <p>In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, 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 Joint Committee'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</p>	<ul style="list-style-type: none"> <li>• We reviewed the controls in place over accounting for payments to operators.</li> <li>• We reviewed budget monitoring reports focussing on significant budget variances.</li> <li>• We performed analytical procedures on expenditure streams.</li> <li>• We undertook detailed testing of expenditure transactions with a focus on payments to operators.</li> <li>• We tested the year-end creditor balance to confirm this includes a reasonable estimate of 2022/23 claims still to be made.</li> </ul>	<p><b>Conclusion:</b></p> <p>No issues were identified that indicate fraud in expenditure relating to payments to operators.</p>

Audit risk	Audit response	Results and conclusions
balance is outstanding at the year-end for claims not received.		

## There were no identified misstatements within the financial statements

20. Our audit identified no misstatements above our reporting threshold.

## The unaudited annual accounts were received in line with the agreed audit timetable

21. The unaudited annual accounts were received in line with our agreed audit timetable on 19 June 2023. The audit team received good support from finance staff which helped ensure the final accounts audit process ran smoothly.

## Follow up of prior year recommendations

22. There were no improvement actions raised in the Azets's 2021/22 Annual Audit Report.

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## Part 2. Wider Scope Audit Work

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term, and the arrangements for securing Best Value

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### Conclusion

The Joint Committee operated within its budget for 2022/23. Its reserves now stand at £5.025 million.

The 2023/24 budget is based on patronage increasing to 75-80% of pre-Covid levels however this is not certain and there may be an impact on the budget.

The sustainability of the scheme is kept under review. The Joint Committee has delayed the introduction of a revised fare structure until April 2024 at the earliest when clearer passenger travel demand patterns are more established.

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### The Joint Committee operated within its budget for 2022/23

**23.** The actual outturn in 2022/23, as reported in the annual accounts, was total net expenditure of £3.630 million and total income of £4.059 million, resulting in an underspend of £0.429 million which has been transferred to the Joint Committee's reserves.

**24.** Local authority requisitions of £4.059 million were in line with budget. The underspend arises from a reduction in reimbursement to operators compared to budget. As set out below, passenger numbers and consequently operator reimbursement have not fully recovered to Pre Covid levels and this is represented in the underspend for the year. The Joint Committee's reserves now stand at £5.025 million.

### The Joint Committee is reviewing the financial position of the scheme and will take action to secure its sustainability as appropriate

**25.** In our 2022/23 Annual Audit Plan we identified one wider scope risk relating to the financial sustainability of the Concessionary Travel Scheme.

**26.** 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 fares structure was agreed in 2021 to address this risk. 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. 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.

**27.** The Treasurer acknowledges that implementing the new fares structure is still required in the medium to longer term to ensure financial sustainability of the Scheme.

### **The 2023/24 budget is based on patronage increasing to 75-80% of pre-Covid levels however this is not certain and there may be an impact on the budget**

**28.** A balanced budget for 2023/2024 budget was approved at the March 2023 meeting of the Joint Committee and was set at £4.1 million, to be fully funded by £4.1 million of council requisitions with no draw on reserves. The budget has been prepared on the basis of continuing with the current fare structure and increased patronage. It also includes a 1.95% increase to council requisitions, mirroring the local government budget settlement. It is anticipated that passenger numbers using the scheme will increase to an average of 75-80% of pre-Covid levels across all modes however there remains a number of unknowns at this stage which may have an impact on the 2023/2024 budget.

**29.** 93% of the budget (£3.8 million) is made up of payments to operators (rail, ferry and subway). [Exhibit 4](#) below details scheme patronage for the period 2017/18 to 2022/23 and highlights the impact of Covid 19 in 2019/20. By the end of 2022/23, concessionary travel demand and reimbursement were approximately 70% and 80% of pre-Covid levels respectively (whilst basic concession fares have been held at current levels since 2018, participating operator fares have risen).

#### **Exhibit 4 Scheme patronage by year**

<b>Patronage (Millions)</b>						
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
<b>Rail</b>	3.52	3.52	3.52	0.57	1.81	2.32
<b>Ferry</b>	0.65	0.67	0.67	0.24	0.50	0.73
<b>Subway</b>	0.84	0.91	0.90	0.20	0.51	0.56
<b>Totals</b>	<b>5.01</b>	<b>5.10</b>	<b>5.09</b>	<b>1.01</b>	<b>2.82</b>	<b>3.61</b>

Source: Strathclyde Concessionary Travel Scheme Joint Committee monitoring reports

### **The Joint Committee has agreed to further delay the introduction of the revised fare structure**

**30.** The Report on the 2021/22 Audit noted that the Joint Committee agreed, in March 2022, to pause the planned implementation of a revised fare structure until January 2023 at the earliest.

**31.** In March 2023, the Joint Committee agreed that as a result of the projected increase in reserves balances at the end of 2022/2023, introduction of the new

fares structure should be further delayed until April 2024 at the earliest in order to allow the Scheme to establish a new baseline for travel demand, operator reimbursement and Scheme reserves. In an accompanying report to the Joint Committee, the Treasurer noted that any deferment of the planned increases would only be a temporary pause in implementing the new fares structure which is still required in the medium to longer term to ensure financial sustainability of the Scheme.

**32.** The Treasurer also submitted a long term (10-year) financial forecast to the March 2023 meeting of the Joint committee. The forecast projects costs and funding for the Scheme over the period 2022/23 – 2031/32 and is based on a number of assumptions including annual year on year increases in operator fares, patronage and the administrative costs of supporting the Scheme. The payment to operators projections assume a 4% increase in fares and a 5% increase in patronage annually.

**33.** Based on the forecast, reserves will be fully utilised by financial year 2028/2029 if the current fare structure remains in place and the Scheme would be in deficit from that financial year onwards. The Treasurer notes in his report that implementation of the new fare structure should be considered as part of the 2024/2025 budget process.

### **High-level systems of internal control operated effectively during 2022/23**

**34.** As noted in the accounts, although SCTS Joint Committee is a separate legal entity, due to the administrative relationship between SCTS and Strathclyde Partnership for Transport (SPT), there are a number of shared systems between the two bodies. The corporate governance and internal financial control arrangements that govern SCTS are also that of SPT.

**35.** The appointed external auditor of SPT considered whether the body's key accounting and internal financial controls were adequate to prevent material misstatements in the annual accounts. These are the same systems used to produce the Joint Committee's annual accounts.

**36.** We have reviewed SPT's external auditor's findings. They concluded that the key controls within its main financial systems were operating satisfactorily. As such, we are satisfied there is no significant risk to the Joint Committee's annual accounts.

### **Best Value arrangements**

**37.** Our work to assess the arrangements in place for securing Best Value is focussed on and limited to how the joint committee secures the financial sustainability of the scheme, as reported above.

# Strathclyde Concessionary Travel Scheme Joint Committee

## 2022/23 Annual Audit Report

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