



2020/21 Annual Audit Report to those charged with Governance

Committee Audit and Standards

Date of meeting 27 August 2021

Date of report 18 August 2021

Report by Director of Finance

1. Object of report

To provide the Committee as those charged with governance, with the final audit report from Azets, SPT's external auditor, following the final year audit of SPT and SCTS's accounts and financial arrangements for 2020/21.

2. Background

The scope of the work to be undertaken by Azets was outlined in their Audit Plan, which was presented to the committee on 19 February 2021. The core elements of the audit work included:

- an audit of the 2020/21 annual financial statements of both SPT and SCTS;
- consideration and reporting on SPT's arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency and value for money;
- monitoring SPT's participation in the National Fraud Initiative (NFI); and
- any other work requested by Audit Scotland.

3. Outline of proposals

The 2020/21 Annual Audit Report to members of Strathclyde Partnership for Transport, the Strathclyde Concessionary Travel Scheme Joint Committee and the Controller of Audit is attached for noting at Appendix 1.

4. Committee action

The committee is asked to note the details of the 2020/21 Annual Audit Report.

5. 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 *None.*
Risk consequences *None.*

Name Neil Wylie
Title **Director of Finance**

Name Valerie Davidson
Title **Acting Chief Executive**

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Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee

2020/21 Annual Audit Report to members of
Strathclyde Partnership for Transport, the Strathclyde
Concessionary Travel Scheme Joint Committee and
the Controller of Audit

August 2021



Table of Contents

Key messages	3
Introduction	9
Annual accounts audit	12
Financial sustainability	29
Financial management	33
Governance and transparency	39
Value for money	42
Strathclyde Concessionary Travel Scheme Joint Committee	45
Appendices	62

Key messages

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This report concludes our audit of Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee for 2020/21.

This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinions	<p>Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme Joint Committee (SCTS) annual accounts for the year ended 31 March 2021 are due to be approved by the Partnership and Joint Committee respectively on 17 September 2021.</p> <p>We report unqualified opinions within our independent auditor's report.</p>
Key findings on audit risks and other matters	<p>COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. We are pleased to report those risks did not materialise.</p> <p>SPT had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.</p>
Audit adjustments	<p>We identified no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts. There were no unadjusted differences to the unaudited annual accounts.</p>
Accounting systems and internal controls	<p>We have applied our risk based methodology to the audit. This approach requires us to document, evaluate and assess SPT's business processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit and best value – Strathclyde Partnership for Transport



Financial Sustainability

Auditor judgement



The Covid-19 pandemic has had, and is having a significant impact on the financial plans of SPT. SPT faces challenges in achieving a balanced financial position in 2021/22 and beyond in view of the ongoing impact of Covid-19. SPT's ability to develop longer term financial plans in a sustainable manner remains at risk and requires continuing careful management and oversight.



Financial Management

Auditor judgement



SPT has effective arrangements in place for financial management and the use of resources.

The pandemic has had a significant impact on SPT finances (both revenue and capital) in 2020/21, primarily as a result of a vastly reduced farebox, passenger related income streams and restrictions during lockdown impacting on the progress of capital projects. Despite this, SPT reported a breakeven position against its revenue budget. Additional income loss support funding was received to enable SPT to report this position.

The pandemic has also had a significant impact on the subway modernisation project. Overall, however, the programme remains within the approved budget, including programme contingency and available funding.

As at 31 March 2021, SPT's cash and cash equivalents and short term investments held had combined value of £172.328million. These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. Balances were managed in line with SPT's Treasury Management Strategy.



Governance & Transparency

Auditor judgement



Governance arrangements at SPT were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date.



Value for Money

Auditor judgement



SPT has appropriate performance management arrangements in place which support the achievement of value for money.

SPT has been significantly impacted by the pandemic. While SPT continued to operate services during the pandemic; passenger numbers have significantly declined.

Our work in respect of SPT's best value arrangements has been integrated into our audit approach, including our work on the wider scope audit dimensions. Based on the audit work performed during 2020/21 over the wider scope audit dimensions, we are satisfied that SPT has made proper arrangements to secure best value.

Wider scope audit – SCTS

Our annual audit work in respect of our wider scope audit responsibilities for SCTS was restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Annual Governance Statement and Statement of Financial Control; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Our conclusions and key observations are set out below:



Annual governance statement and statement of financial control

We are satisfied that the Annual Governance Statement and Statement of Financial Control for the year to 31 March 2021 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Financial sustainability

Auditor judgement



The pandemic has significantly impacted on SCTS. In 2020/21, reduced patronage and operator reimbursement, as a result of the pandemic, led to a significant increase in reserves. The Joint Committee however recognise that this favourable financial position is short term and that the Scheme continues to experience longer term financial pressures. There continues to be a level of uncertainty on patronage levels due to the pandemic and as a result the 2021/22 budget is based on similar levels to 2019/20 (the last full financial year unaffected by the pandemic).

The root and branch review of the Scheme was concluded in 2020/21. The key recommendation from the review was to introduce a 'half fares' structure with capped fares apply to ferry routes and to existing rail 'rural zones'. The intention is that the use of half fares will simplify the Scheme, will reduce the level of reimbursement and increase the longer term financial sustainability of the Scheme.

Definition

Our wider scope audit involves consideration of SPT and SCTS' arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



Introduction

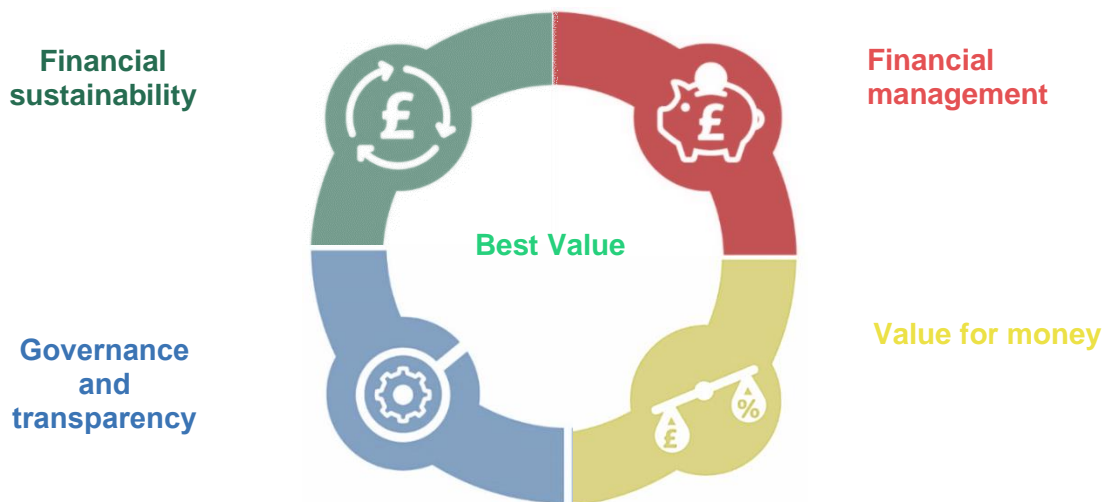
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We carried out our audit in accordance with Audit Scotland's
Code of Audit Practice and maintained auditor independence

Scope

1. This report summarises the findings from our 2020/21 audit of Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme Joint Committee (SCTS).
 - an audit of the 2020/21 annual accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring SPT’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Standards Committee at the outset of our audit. The core elements of our work include:

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

3. SPT and SCTS are responsible for preparing annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
5. We would like to thank all management and staff for their co-

operation and assistance during our audit.

Auditor independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to SPT through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help SPT promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

SPT's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Overall conclusion

12. The annual accounts are due to be considered by the Audit and Standards Committee on 27 August 2021 and approved by the Partnership on 17 September 2021. Our independent auditor’s report is unqualified.

Administrative processes

13. We received unaudited annual accounts and supporting papers of high standard, in line with our agreed audit timetable. Our thanks go to staff at SPT for their assistance with our work, particularly given the current environment we are working in.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise SPT’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of SPT.</p>	<p>We reviewed the financial forecasts for 2021/22. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that SPT will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission on:</p> <ul style="list-style-type: none"> • Management Commentary • Annual Governance Statement • Remuneration Report 	<p>We read all the statutory other information in the annual accounts to identify material inconsistencies with the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary); • the Delivering Good Governance in Local Government: Framework (Annual Governance Statements); and • The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report) 	<p>The statutory other information contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003. • the information given in the annual governance statement and statement of financial control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or 	<p>We have no matters to report.</p>

Opinion	Basis for opinion	Conclusions
	<ul style="list-style-type: none"> we have not received all the information and explanations we require for our audit; or there has been a failure to achieve a prescribed financial objective. 	

An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Standards Committee in February 2021. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SPT. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
- At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems,

substantive procedures and detailed analytical procedures.

Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
- The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Significant risk areas

1. Management override

Significant risk description

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

Audit procedures

- Review of SPT's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risk areas

2. Revenue recognition

Significant risk description Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that SPT could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.

Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for requisitions from constituent local authorities and Scottish Government grant funding. Our conclusion remained the same throughout the audit.

Based on audit work performed, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

Significant risk areas

3. Expenditure recognition

Significant risk description As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of SPT's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Significant risk areas

4. Asset valuations (significant accounting estimate)

Significant risk description

SPT's assets are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's external valuer as at 31 March 2020 and are revalued in accordance with the external valuer's 5-year programme. Additional valuations may be carried out on an adhoc basis out with the rolling programme arrangements, for example, when an asset has been significantly modernised/upgraded. Investment properties are valued annually at fair value, in line with the Code.

The valuation provided by the valuer as at 31 March 2020 recognised a material uncertainty, indicating that lower confidence could be attached to the valuation than otherwise would be the case given the unprecedented impact of COVID-19 on global markets. We included an emphasis of matter paragraph in our independent auditor's report on the 2019/20 financial statements to draw attention to this.

There is a risk of material misstatement to the annual accounts relating to asset valuations

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

SPT is required to revalue properties with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. Investment properties are valued annually, in line with the Code.

Audit procedures

- Consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence.
- Review the valuation report and consider the assumptions used by the external valuer against external sources of evidence.
- Consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Key observations

Investment properties are valued annually at fair value, in line with the Code. In 2020/21; the value of investment properties held by SPT reduced by £0.502million as a result of the valuation of those assets. We compared the fair value movements in year against industry averages to ensure that the valuer's assumptions and methodology were appropriate. Based on the audit work performed,

Significant risk areas

we are satisfied movements in valuations have appropriately taken account of changes in circumstances, are in line with industry averages and that these results have been correctly accounted for in the annual accounts.

We considered the instructions and information provided to the valuer, and performed procedures to confirm the accuracy and completeness of information. We reviewed the professional valuations provided and are satisfied that the valuer has appropriate experience and competence to complete this exercise.

From our review of the instructions provided to the valuer and assessment of expertise of the valuer, we are satisfied that reliance can be placed on the work of this expert.

In the current year, the valuation report provides assurance that, whilst the pandemic continues to affect economies and global markets, property markets have started to function again and, as a result, the valuation as at 31 March 2021 is not subject to a material valuation uncertainty.

This is consistent with the latest guidance issued by the Royal Institution of Chartered Surveyors (RICS).

Land and buildings were revalued by SPT's external valuer as at 31 March 2020. As a result of the Subway Modernisation programme, an annual review has been instigated of all subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. In 2020/21, no impairment losses were identified as a result of this exercise.

Significant risk areas

5. Pension assumptions (significant accounting estimate)

Significant risk description An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgement

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.

Audit procedures

- Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.
- Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.
- Agree the disclosures in the financial statements to information provided by the actuary.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Key observations

At 31 March 2020, SPT showed a net pension liability of £3.283million. By 31 March 2021 this had increased to a net pension asset of £1.011million.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities (obligations) are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2020 formal valuations for Scottish LGPS Funds were concluded by 31 March 2021.

The accounting balance sheet position as at 31 March 2021 is based on the roll forward from the 2020 formal valuation. This differs to the

Significant risk areas

balance sheet position as at 31 March 2020 which was based on a roll forward from the 2017 formal valuation. This 'step change' can lead to sizeable asset and obligation 'remeasurement experience' items in the reconciliation of the balance sheet from 31 March 2020 to 31 March 2021. On the other hand, increases in price/salary increase assumptions and reductions in the discount rate as a result of reducing corporate bond rates increase the pension liability.

We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

Other risk factors

Other impacts of COVID-19 on the annual accounts

19. COVID-19 continues to present unprecedented challenges to the operation, financial management and

governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the following table:

Area considered	Description	Conclusion
Access to audit evidence	<p>Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.</p>	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with SPT colleagues to ensure all relevant issues were satisfactorily addressed.</p>
Timescales	<p>The pre COVID-19 deadline was 30 September and the provisional deadline for 2020/21 was 31 October. The Scottish Government amended the accounts regulations to require the 2020/21 annual accounts to be signed off by 31 October (amended from 30 September) and published by 15 November (amended from 31 October).</p> <p>However, the provision of the Coronavirus (Scotland) Act 2020 (which permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable) have been extended. 'Reasonably practicable' was considered to be 30 November and this date is considered appropriate for 2020/21. The extension of the Act also allows flexibility over the date (usually 30 June) for the unaudited accounts.</p>	<p>SPT committed to continue with its original timetable; for both the publication of SPT unaudited accounts and the approval of the audited accounts. The annual accounts are due to be considered by the Audit and Standards Committee on 27 August 2021 and the Partnership on 17 September 2021.</p>

Estimates and judgements

20. We are satisfied with the appropriateness of the accounting estimates and judgements used in the

preparation of the financial statements.

21. As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to

the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates, pension assumptions, provisions and accruals. Other than asset valuations and pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and

concluded that our assessment remained appropriate.

22. Our audit work consisted of reviewing these keys areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

Estimates and judgements

Asset valuations

Balanced

Asset valuations are carried out by external valuers. In 2020/21 investment properties were valued.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

SPT has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Pension assumptions

Balanced

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

We reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

SPT has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Materiality

23. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

24. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to SPT and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

25. Our initial assessment of materiality was £1.130million. On receipt of the unaudited annual accounts, we reassessed materiality and revised it as detailed in the table below. We consider that our updated assessment has remained appropriate throughout our audit.

Materiality

Overall materiality

£980,000



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£735,000



75%

Work performed to capture individual errors at this level

Trivial threshold

£49,000



5%

All errors greater than this level are reported

Materiality	<p>Our assessment is made with reference to SPT's gross expenditure. We consider this to be principal consideration for the users of the annual accounts when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 1.5% of gross expenditure as disclosed in the 2020/21 unaudited annual accounts.</p> <p>In performing our audit we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.</p>
Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
Trivial misstatements	<p>'Clearly trivial' are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Audit differences

26. We identified no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts. There were no unadjusted differences to the unaudited annual accounts.

Internal controls

27. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to SPT. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were of a high standard and sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Other communications

Accounting policies, presentation and disclosures

28. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by SPT.
29. The accounting policies, which are disclosed in the annual accounts are considered appropriate.
30. There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
31. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

32. We have previously discussed the risk of fraud with management. We have

not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing

33. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

34. As part of our standard audit testing, we have reviewed the laws and regulations impacting SPT. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

The Local Authority Accounts (Scotland) Regulations 2014

35. As part of our audit we reviewed SPT's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with

respect to regulations 8 to 101 as they relate to the annual accounts.

36. The Scottish Government included in its Finance Circular 10/2020 provided guidance on the publication and inspection of the unaudited annual accounts as a result of the COVID-19 pandemic.
37. Overall we concluded that appropriate arrangements are in place to comply with these Regulations and the guidance as set out in the Finance Circular 10/2020.

Written representations

38. We will present the final letter of representation to the Assistant Chief Executive to sign at the same time as the financial statements are approved.

Related parties

39. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

40. All requested third party confirmations in respect of bank and legal confirmations have been received. We will however obtain and consider legal confirmations up to the point of approval of the annual accounts.

¹ Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether SPT is planning effectively to continue to deliver its services and the way in which they should be delivered.



Auditor judgement



The Covid-19 pandemic has had, and is having a significant impact on the financial plans of SPT. SPT faces challenges in achieving a balanced financial position in 2021/22 and beyond in view of the ongoing impact of Covid-19. SPT's ability to develop longer term financial plans in a sustainable manner remains at risk and requires continuing careful management and oversight.

Significant audit risk

41. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

Typically, each year, the Partnership is presented with a rolling two-year revenue budget and three year rolling capital programme. In 2019/20, the Partnership was also presented with a Long Term Financial Strategy.

The COVID-19 pandemic however has had, and is having an impact, in terms of the financial plans of SPT; primarily as a result of a vastly reduced farebox and passenger related income streams.

Regular reports are presented to members on the 2020/21 financial forecast. Throughout 2020/21, the Partnership has forecast a deficit position that would require financial assistance. Discussions continue with Transport Scotland as to additional funding. Any deficit at the year end would ultimately require to be funded by SPT general reserves leaving it vulnerable to respond to future challenges.

The most up to date forecast prepared by management suggests that the Partnership will achieve or be close to a breakeven position. This position will, if achieved, have been met through:

- Income loss support from Transport Scotland;
- Recruitment freeze on vacant posts;
- Savings in property costs and supplies and services;
- Reduction on expenditure on local bus services, MyBus and third party suppliers; and
- Contribution of £1million to support the capital plan from the revenue budget no longer being required.

This financial position is set in the context of SPT continuing to operate services during lockdown and continues to do so. In respect of SPT bus services, SPT maintained essential services and reallocated resources to ensure strategic gaps were filled. As a result of reduced demand for MyBus Services, SPT reshaped its service provision and re-directed capacity to support local services.

In preparation of the 2021/22 revenue budget, departments reviewed all budget lines to identify savings that can be made. It is expected that subway income will be significantly lower than in 2020/21 which brings significant challenges for SPT to develop a balanced budget.

Financial sustainability

Looking ahead to the long term financial plan and re-establishing a level of financial stability, SPT has noted that consideration will need to be given to the funding of public transport as well as the specific role and contribution from the 12 constituent councils.

Noted in the 2020/21 External Audit Plan

42. Our detailed findings on SPT's financial framework for achieving long term financial sustainability are set out below.

Revenue budget 2021/22

43. In March 2021, the Partnership approved a net revenue budget of £45.912million for 2021/22. The Partnership approved to increase the local authority requisition level by 0.9% from the prior year (£35.462million in 2020/21). The budget was set within the context of a number of unknowns:

- The plans for easing restrictions, including travel restrictions, and any certainty over patronage numbers and revenue income.
- Plans for easing support to commercial bus operators and the impact this has on services linking communities not linked by commercial networks.
- The final local government settlement and therefore agreed requisitions to SPT.
- Whether the income loss support grant made available from Transport Scotland in 2020/21 would continue and if so at what level.

44. The budget assumes additional Covid support grant from Transport Scotland of £9.480million (£12.292million received in 2020/21). The budget also assumes reductions in income from the subway and bus operations. To counter the reduction in income, the budget includes a reduction in contribution to the subway fund. There is no change to fares, fees and charges of SPT services due to the level of uncertainty and the ongoing challenges to encourage patronage increase.
45. SPT continue to work with local authorities and Transport Scotland to ensure a stable financial position.

Longer term financial planning

46. SPT prepares two year rolling revenue budgets. At the same time as approving the 2021/22 revenue budget, the Partnership considered an indicative 2022/23 revenue budget. The 2022/23 revenue budget presents a deficit position; assuming not further Covid support grant, local authority requisitions set at prior year levels, and a gradual increase in income from subway and bus operations.

47. Prior to the impact of Covid-19, SPT's Long Term Financial Strategy (covering to the period 2028/29) highlighted that SPT is financially sustainable, and in a financial position which will allow it to continue to operate in the short to medium term. However, work is required to update the Long Term Financial Strategy to take account of the impact the pandemic will have on the future of SPT.

Future capital plans

48. SPT prepares a three year rolling capital programme and budget which seeks to balance the transport project delivery aspirations and the funding available to it. In March 2021, the Partnership approved a three year programme; highlighting that years' two and three are indicative.
49. For 2021/22, SPT plans to incur capital expenditure of £39.353million, funded through capital grants, specific grant funding in relation to the Subway Modernisation project and contributions from reserves. SPT sets a capital plan which is greater than the funding available to ensure that the plan delivery is maximised within the funding available and project delivery movements.
50. The subway modernisation project comprises a significant proportion of the capital plan. Ministers previously committed to fund up to £246million of the total project cost with SPT directly contributing the remaining £42million. In 2021/22 SPT plan to spend £17.103million on the project; being funded from grant from Scottish Government.

Impact of EU withdrawal

51. EU Withdrawal continues to present risks to all public sector bodies. SPT completed an initial assessment of its risk exposure as a consequence of EU withdrawal, the results of which were presented to the Partnership in December 2018.
52. Since then, SPT has continued to actively manage risks associated with EU withdrawal, through its Strategy Group and corporate risk register. EU withdrawal is reported as a high risk on the corporate risk register.

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Auditor judgement



SPT has effective arrangements in place for financial management and the use of resources.

The pandemic has had a significant impact on SPT finances (both revenue and capital) in 2020/21, primarily as a result of a vastly reduced farebox, passenger related income streams and restrictions during lockdown impacting on the progress of capital projects. Despite this, SPT reported a breakeven position against its revenue budget. Additional income loss support funding was received to enable SPT to report this position.

The pandemic has also had a significant impact on the subway modernisation project. Overall, however, the programme remains within the approved budget, including programme contingency and available funding.

As at 31 March 2021, SPT's cash and cash equivalents and short term investments held had combined value of £172.328million. These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. Balances were managed in line with SPT's Treasury Management Strategy.

Financial performance

SPT's financial performance in 2020/21

53. The Comprehensive Income and Expenditure Statement (CIES) for 2020/21 shows that SPT spent £65.328million on the provision of services, resulting in an accounting surplus of £8.684million (2019/20: £64.034million).
54. The accounting surplus includes certain elements of income and

expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2020/21 Code), and which are subsequently adjusted to show their impact on reserves.

55. Following the required adjustments, the net impact on the general fund is a increase of £12.146million to £87.013million. In total, cash backed (useable) reserves held by SPT increased by £4.843million in the year to £165.988million.

Movement in SPT's useable reserves per the Annual Accounts 2020/21

	2020/21 £000	2019/20 £000	Movement £000
General Fund	87,013	74,867	12,146
Insurance Fund: used to fund expenditure directly relating to insurance, including the costs of insurance excesses, premiums and risk management.	1,219	1,000	219
Renewal and Repair Fund: use to fund expenditure which relates directly to the repairing, maintaining and replacing works of plant, building and equipment.	1,500	1,500	-
Capital Fund: use to fund approved capital expenditure.	26,133	26,047	86
Capital Grants Unapplied Account	50,123	57,731	(7,608)
Total useable reserves	165,988	161,145	4,843

56. In 2020/21 £79.146million of the general fund balance was earmarked with the remainder representing a non earmarked reserve of £7.867million.
57. SPT reviews its reserves policy on an annual basis. Earmarked General Fund Reserves are used for known future expenditure requirements. Non earmarked reserves are held to cover unforeseen circumstances. The target non earmarked reserves are held at approximately three months of operational income. Non earmarked reserves are consistent with the targeted level.
58. As at 31 March 2021, SPT's cash and cash equivalents and short term investments held had combined value of £172.328million (2019/20: £168.521million). These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. In May 2020, it was agreed with Transport Scotland that SPT would not receive any capital funding for the subway modernisation programme in 2020/21 and would use funding previously received to meet capital payments as the fall due.
- Partnership forecast a deficit position that would require financial assistance. Discussions with Transport Scotland throughout the year led to additional funding (income loss support) of £12.292million being received.
61. SPT achieved a breakeven position in 2020/21. The net revenue budget of £36.177million was met from local authority contributions (£35.463million) and a contribution of £0.714million direct from the Scottish Government.
62. This position was met through:
- Income loss support from Transport Scotland (£12.292million);
 - Business Interruption insurance claim arising from the pandemic (£1million);
 - Recruitment freeze on vacant posts;
 - Savings in property costs and supplies and services;
 - Reduction on expenditure on local bus services, MyBus and third party suppliers; and
 - Contribution of £1million to support the capital plan from the revenue budget no longer being required.

Revenue performance against budget

59. The Covid-19 pandemic has had a significant impact on SPT finances in 2020/21, primarily as a result of a vastly reduced farebox and passenger related income streams.
60. Regular reports were presented to members on the 2020/21 financial forecast. Throughout 2020/21, the
63. This financial outturn is set in the context of SPT continuing to operate services during the pandemic. In respect of SPT bus services, SPT maintained essential services and reallocated resources to ensure strategic gaps were filled. As a result of reduced demand for MyBus Services, SPT reshaped its service provision and re-directed capacity to support local services.

Revenue performance against budget

Directorate	Annual budget £million	Actual £million	Variance over/(under) £million
Subway operations	1.352	3.738	2.386
Bus operations	16.462	15.165	(1.297)
Operations – other	0.992	1.159	0.167
Business support	3.867	3.231	(0.636)
Corporate	3.081	0.519	(2.562)
Contribution to reserves	10.423	12.365	1.942
Total	36.177	36.177	-

Source: Annual accounts 2020/21 and budget monitoring reports

Capital position

64. In 2020/21 the capital outturn was £23.059million against a revised capital budget of £35.084million. A number of budget adjustments were approved during the year which reduces the original capital budget.
65. Restrictions put in place in response to the pandemic resulted in work being paused on various capital projects; particularly the grant funded projects being delivered by local authority partners.

Subway modernisation programme

66. The Covid-19 pandemic has had a significant impact on the

modernisation progress with all site works initially stood down until the easing of the UK national lockdown on essential construction activity. The restrictions on international travel during this time impacted contractors and suppliers, which affected design and equipment factory testing activity in support of modernisation also being delayed or prolonged. By July 2020, works deemed essential recommenced with COVID secure measures in place. With the challenges experienced, there has been less progress overall than anticipated.

67. In addition to delays in project delivery, Covid-19 has also impacted on the achievement of milestone

payments. The financial impact is a significant reduction in budgeted spend in 2020/21. Actual expenditure on the programme in 2020/21 was £9.854million against a revised budget of £18.678million.

68. To the end of 2020/21, £178.5million has been incurred against the total budget of £288.7million on the programme. The remaining programme budget, including contingency, will be required. Overall, however, the subway modernisation programme remains within the approved budget, including programme contingency and available funding.

Treasury Management

69. SPT has adopted in full the Chartered Institute of Public Finance “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” and has developed policies and practices designed to meet this Code of Practice. We have reviewed the relevant arrangements including the Treasury Management Strategy, approved by the Partnership in March 2021 and confirmed that they are in line with the requirements of applicable guidance.
70. SPT’s 2021/22 Treasury Management Strategy sets out the following arrangements:
- Investments are managed in-house;
 - SPT has appointed Link Group as its treasury management advisors
 - SPT holds no external debt and has no plans to borrow over the coming year

- SPT has defined its investment policy which sets out permitted investment instruments, limits on the amounts and maturity of investments, use of approved counterparties (UK only). The investment priorities for SPT are security first, liquidity second and then return.

71. We concluded in 2020/21 that SPT had operated within its investment policy.

Systems of internal control

72. We have evaluated SPT’s key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.
73. We did not identify any significant weaknesses in SPT’s accounting and internal control systems during our audit.
74. At the outset of the pandemic, systems and processes were reviewed to enable remote working. All non-front line staff, where possible, were encouraged to utilise home working.

Internal audit

75. SPT’s internal audit service is an independent assurance function that provides an opinion on SPT’s control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
76. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort

and make the most efficient use of SPT's total audit resource.

Prevention and detection of fraud and irregularity

77. We found SPT's arrangements for the prevention and detection of fraud and other irregularities to be sufficient and appropriate. SPT has continued to operate an effective control environment throughout the pandemic to ensure that those controls and procedures which prevent fraud have been appropriately managed.

Risk of fraud and corruption in procurement functions

78. We reflected on the risk of fraud and corruption in respect of the procurement function as part of our 2019/20 Annual Audit Report and deemed the level of risk to be low. We have revisited this assessment during our audit fieldwork and have not identified any changes to our assessment.
79. SPT has a dedicated procurement function with oversight of all procurement and purchasing activity within the organisation. Well designed and clearly documented procurement processes are reflected in SPT's standing financial instructions and operational processes, including detailed procedures to ensure segregation of duties.
80. We have not identified any deficiency in procurement controls which suggests that they are not sufficient and appropriate to address the risk of fraud within procurement.

National fraud initiative

81. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
82. The most recent NFI exercise commenced in January 2021, with matches to be investigated by 30 September 2021.
83. To date, we have concluded that SPT's arrangements with respect to NFI are satisfactory.

Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Auditor judgement



Governance arrangements at SPT were found to be satisfactory and appropriate, including throughout the COVID-19 pandemic to date.

Governance and transparency

Responding to the COVID-19 pandemic

84. At the outset of the Covid-19 pandemic, SPT activated provisions in its existing governance structures and standing orders to convene a series of meetings of the Chairs Committee on an emergency basis. This committee is delegated the authority to consider matters on behalf of the Partnership, subject to the limitations and exclusions from delegation in the Standing Orders, unless considered a matter of urgency, including for example, business continuity arrangements and the approval of the award of contracts. Though the Chairs committee was convened to consider urgent matters, SPT's Governance Committees nevertheless continued to meet and conduct business as normal, with appropriate amendments to attendance arrangements to reflect the fact that the committees could not meet physically. Since June 2020, SPT has held a full committee cycle for all members. Meetings have been held via video conferencing.
85. SPT's corporate risk register is reviewed and updated at Strategy Group meetings every four weeks and presented to the Audit and Standards Committee for noting. The corporate risk register, during 2020/21, was updated to consider the impact of Covid-19 on the organisation.

Governance

86. The Partnership consists of twenty elected members representing the twelve constituent local authorities in the West of Scotland and between seven and nine appointed members.

New appointments

87. A recruitment process consistent with the Scottish Government Public Appointments process was carried out in 2020/21 to appoint six appointed members. The Partnership approved the appointment of four new appointed members and the re-appointment of a further two current appointed members. The appointments commenced from 1 April 2021. Member training was provided to all newly appointed members.

Openness and transparency

88. Through our review of committee papers, we are satisfied that there has been effective scrutiny, challenge and informed decision making through the financial period.
89. Our conclusion is informed by attendance at the Audit and Standards Committee and throughout our audit appointment we have attended and observed other committee meetings.
90. In addition, we review the published minutes of the Partnership and committees. It is our assessment that items on the agenda are in line with the most pertinent issues for SPT.
91. There is evidence of challenge and scrutiny by members on the reports presented to the relevant committee. The reports are of high quality and aid the user in scrutinising performance

across the various business areas in which they operate. The information produced allows the end user to scrutinise SPT's performance in relation to strategic, operational and financial performance.

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the SPT's reporting of its performance.



Auditor judgement



SPT has appropriate performance management arrangements in place which support the achievement of value for money.

SPT has been significantly impacted by the pandemic. While SPT continued to operate services during the pandemic; passenger numbers have significantly declined.

Responding to the COVID-19 pandemic

92. SPT's Operations Committee received a presentation in April 2021 providing an update on the Partnership's response to the pandemic. Key findings were as follows:
- All SPT operations remain open for business
 - There were no closures to the Subway throughout the pandemic; passenger numbers have significantly declined. Pre-pandemic passenger numbers were c. 35,000 to 40,000 a day. Since March 2020 these have been as low as c. 1,200 and as high as 16,000.
 - Subway modernisation has continued, albeit slower than originally planned.
 - Supported bus services have continued. Patronage levels however are at around 45-50% of pre-pandemic levels.
93. A study has been carried out by University of Leeds (with funding from SPT and Transport Scotland) into travel adaptations during the pandemic and next steps. A report, following the study, was published in March 2021, "At a crossroads – Travel adaptations during COVID-19 restrictions and where next?". The report calls for a major realignment of investment and policy to ensure that services do not return to overcrowded, congested, polluting and unhealthy transport systems the people had come to accept as inevitable. Further

findings are due to be reported to the Partnership over the coming year.

Regional Transport Strategy

94. A Catalyst for Change' the statutory Regional Transport Strategy (RTS) for the west of Scotland 2008-21 was approved by Scottish Ministers in 2008. A RTS Delivery Plan links the RTS to SPT's business planning processes through the strategic priorities and sets out the services, projects and initiatives that will enable the delivery of the RTS.
95. The development of a new RTS has commenced. The onset of the COVID19 pandemic however necessitated the RTS development process to, in effect, pause in order to consider and understand how best to take into account COVID19-related implications for transport and travel behaviours, and to re-align with national transport processes (including the Strategic Transport Projects Review (STPR2) and the National Transport Strategy Delivery Plan) which were similarly affected by the pandemic.
96. Given the events of 2020 and the plans and proposals being developed by partners, SPT extended its current RTS Delivery Plan to cover 2021/2022.

Performance management framework

97. Regular performance information is presented to the Operations Committee in relation to a number of operational measures. Financial performance information is presented

to the Strategy and Programmes Committee via revenue and capital monitoring reports. Minutes of both these committees are reported to meetings of the Partnership, and proceedings and papers of all committees are published on the SPT website.

98. The financial and performance information presented to the relevant committees comprises sufficient detail to facilitate scrutiny and challenge. From review of committee papers we found that members actively scrutinise and challenge the financial position and operational performance of SPT.

Strathclyde Concessionary Travel Scheme Joint Committee



In this section we summarise the findings from our audit of SCTS 2020/21 annual accounts and our annual audit work on the wider scope.

Introduction

99. The Strathclyde Concessionary Travel Scheme (SCTS) offers reduced fares on rail, subway and ferry services. SCTS covers the 12 local authorities within the designated Strathclyde Partnership for Transport (SPT) area, and all local authorities are represented on the Joint Committee plus the chair of SPT. The cost of the scheme is met by the 12 local authorities. SPT administers the Scheme on behalf of the Joint Committee.

100. SCTS is classified as a 'section 106 body' as defined in section 106 of the Local Government (Scotland) Act 1973. As a consequence, SCTS has a duty to observe proper accounting practices. Annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is recognised as setting out proper accounting practices.

101. In this section of our report, we set out our findings of our audit of SCTS for the year ended 31 March 2021 including:

- Our findings from our audit of the 2020/21 annual accounts; and
- Our findings from our annual audit work in respect of our wider scope audit responsibilities. For 2020/21 these were restricted to:
 - Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Annual Governance Statement and Statement on Financial Control; and

- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Annual accounts

102. The annual accounts for the year ended 31 March 2021 are due to be considered by SPT's Audit and Standards Committee on 27 August 2021 and approved by the Joint Committee on 17 September 2021. Our independent auditor's report is unqualified.

Administrative processes

103. We received unaudited annual accounts and supporting papers of high standard, in line with our agreed audit timetable. Our thanks go to staff at SPT for their assistance with our work, particularly given the current environment we are working in.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise SCTS' functions.</p> <p>Our wider scope audit work considers the financial sustainability of SCTS.</p>	<p>We reviewed the financial forecasts for 2021/22. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that SCTS will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>
<p>Opinions prescribed by the Accounts Commission on:</p> <ul style="list-style-type: none"> • Management Commentary • Annual Governance Statement • Remuneration Report 	<p>We read all the statutory other information in the annual accounts to identify material inconsistencies with the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in 	<p>The management commentary contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003. • the information given in the annual governance

Opinion	Basis for opinion	Conclusions
	<p>Scotland Act 2003 (Management Commentary);</p> <ul style="list-style-type: none"> the Delivering Good Governance in Local Government: Framework (Annual Governance Statements); and The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report) 	<p>statement and statement of financial control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance</p> <p>As noted in the annual accounts, SCTS has no employees and no allowances or expenses were paid to any councillor members during the year. A remuneration report has therefore not been included within the annual accounts.</p>
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. 	<p>We have no matters to report.</p>

An overview of the scope of our audit

104. The scope of our audit was detailed in our External Audit Plan, which was presented to the SCTS Joint Committee in March 2021. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SCTS. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan

is subject to review during the course of the audit to take account of developments that arise.

105. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

106. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence

through performing a review of the significant accounting systems, substantive testing procedures and detailed analytical review procedures.

108. The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described below.

Significant risk areas

107. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk areas

1. Management override

Significant risk description

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

Audit procedures

- Review of SCTS' accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Where applicable, a review of judgements and assumptions made in determining accounting estimates as set out in the

Significant risk areas

financial statements to determine whether they are indicative of potential bias. This includes a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

2. Revenue recognition

Significant risk description

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that SCTS could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present in requisitions received from the constituent local authorities due to a lack of incentive and opportunity to manipulate these transactions.

Audit procedures

- As SCTS does not undertake any income generating activity and requisitions from the constituent local authorities are its only source of income, no further audit procedures were deemed necessary.

Key observations

At the planning stage of our audit cycle, we reported that we did not believe the risk of fraud in revenue recognition was material to the annual accounts and we therefore rebutted this risk. SCTS is funded by contributions received from the local authorities within the area served by the Scheme and from a draw on reserves. The funding is set as part of the budget process. These income streams are agreed in advance of the year and any changes require approval. Our

assessment of this risk has been reviewed throughout the audit and our conclusion to rebut this risk has remained appropriate.

3. Expenditure recognition

Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

Risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

Audit procedures

- Evaluate the significant expenditure streams and review the controls in place over accounting for expenditure.
- Consideration of SCTS' key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Other risk factors

Impact of COVID-19 on the annual accounts

109. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to

the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
<p>Access to audit evidence</p>	<p>Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.</p>	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with SPT colleagues to ensure all relevant issues were satisfactorily addressed.</p>
<p>Timescales</p>	<p>The pre COVID-19 deadline was 30 September and the provisional deadline for 2020/21 was 31 October. The Scottish Government amended the accounts regulations to require the 2020/21 annual accounts to be signed off by 31 October (amended from 30 September) and published by 15 November (amended from 31 October).</p> <p>However, the provision of the Coronavirus (Scotland) Act 2020 (which permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable) have been extended. ‘Reasonably practicable’ was considered to be 30 November and this date is considered appropriate for 2020/21. The extension of the Act also allows flexibility over the date (usually 30 June) for the unaudited accounts.</p>	<p>SPT committed to continue with its original timetable; for both the publication of SCTS unaudited accounts and the approval of the audited accounts. The annual accounts are due to be considered by the Joint Committee on 17 September 2021.</p>

Estimates and judgements

110. We are satisfied with the appropriateness of the accounting estimates and judgements used in the

preparation of the financial statements.

111. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of

those are significant to the overall financial statements. No significant accounting estimates were identified. We revisited our assessment during the completion stages of our audit and concluded that our assessment remained appropriate.

Materiality

112. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor’s report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and

the needs of users. We review our assessment of materiality throughout the audit.

113. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to SCTS and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

114. Our initial assessment of materiality for SCTS’ financial statements was £92,000. On receipt of the unaudited annual accounts, we reassessed materiality and revised materiality to £26,260. We consider that this figure has remained appropriate throughout our audit.

Materiality

Overall materiality

£26,260



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£19,695



75%

Work performed to capture individual errors at this level

Trivial threshold

£1,313



5%

All errors greater than this level are reported

<p>Materiality</p>	<p>Our assessment is made with reference to SCTS' gross expenditure. We consider this to be principal consideration for the users of the annual accounts when assessing financial performance</p> <p>Our assessment of materiality equates to approximately 2% of SCTS' gross expenditure as disclosed in the 2020/21 unaudited annual accounts.</p>
<p>Performance materiality</p>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<p>Trivial misstatements</p>	<p>Clearly trivial' are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Audit differences

concluded are of sufficient importance to merit being reported.

115. We are pleased to report that there were no adjusted or unadjusted differences to the unaudited annual accounts.

Internal controls

116. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Joint Committee. These matters are limited to those which we have

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were of a high standard and sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Other communications

Accounting policies, presentation and disclosures

117. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by SCTS.
118. The accounting policies, which are disclosed in the annual accounts are considered appropriate.
119. There are no significant financial statements disclosures that we consider should be brought to the attention of the Joint Committee and Treasurer. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
120. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

121. We have previously discussed the risk of fraud with SPT management. We have not been made aware of any incidents in the period nor have any

incidents come to our attention as a result of our audit testing.

122. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

123. As part of our standard audit testing, we have reviewed the laws and regulations impacting SCTS. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

The Local Authority Accounts (Scotland) Regulations 2014

124. As part of our audit we reviewed SCTS' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with

respect to regulations 8 to 102 as they relate to the annual accounts.

125. The Scottish Government included in its Finance Circular 10/2020 provided guidance on the publication and inspection of the unaudited annual accounts as a result of the COVID-19 pandemic.
126. Overall we concluded that appropriate arrangements are in place to comply with these Regulations and the guidance as set out in the Finance Circular 10/2020.

Written representations

127. We will present the final letter of representation to the Treasurer to sign at the same time as the annual accounts are approved.

Related parties

128. We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

129. All requested third party confirmations in respect of bank and legal confirmations have been received.

² Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

Wider scope conclusions



Annual governance statement and statement of financial control

We are satisfied that the Annual Governance Statement and Statement of Financial Control for the year to 31 March 2021 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Financial sustainability

Auditor judgement



The pandemic has significantly impacted on SCTS. In 2020/21, reduced patronage and operator reimbursement, as a result of the pandemic, led to a significant increase in reserves. The Joint Committee however recognise that this favourable financial position is short term and that the Scheme continues to experience longer term financial pressures. There continues to be a level of uncertainty on patronage levels due to the pandemic and as a result the 2021/22 budget is based on similar levels to 2019/20 (the last full financial year unaffected by the pandemic).

The root and branch review of the Scheme was concluded in 2020/21. The key recommendation from the review was to introduce a 'half fares' structure with capped fares apply to ferry routes and to existing rail 'rural zones'. The intention is that the use of half fares will simplify the Scheme, will reduce the level of reimbursement and increase the longer term financial sustainability of the Scheme.

Our approach to the wider scope audit

130. Our approach to the wider scope audit (as set out in our 2020/21 External Audit Plan) builds on our understanding of SCTS which we developed from previous years, along with discussions with SPT management and review of minutes and key strategy documents.
- Impact of COVID-19 on financial sustainability;
 - Changes in governance arrangements in response to the pandemic; and
 - Counter-fraud arrangements.
131. During our audit we also considered the following risk areas as they relate to SCTS:
132. Overall we concluded that SCTS has appropriate arrangements in place in respect of these areas as noted below

Impact of COVID-19 on financial sustainability	The pandemic has significantly impacted on SCTS. In 2020/21, reduced patronage and operator reimbursement, as a result of the pandemic, led to a significant increase in reserves. The Joint Committee however recognise that this favourable financial position is short term and that the Scheme continues to experience longer term financial pressures. There continues to be a level of uncertainty on patronage levels due to the pandemic and as a result the 2021/22 budget is based on similar levels to 2019/20 (the last full financial year unaffected by the pandemic).
Changes in governance arrangements in response to the pandemic	Governance arrangements were adapted in response to the pandemic. Joint Committee meetings have been able to continue without significant disruption. We are satisfied that the Joint Committee received sufficient and timely information throughout the period to support effective scrutiny, challenge and decision making.
Counter-fraud arrangements,	Since the start of the pandemic, there has been potential for the risk of fraud and error to increase as the control environment and internal controls have changed. We found arrangements for the prevention and detection of fraud and other irregularities to be adequate. We reviewed Audit Scotland’s report on COVID-19 Emerging Fraud Risks and satisfied ourselves that where there have been changes in the control environment, appropriate mitigating controls have been implemented.



Annual governance statement and statement of financial control

Our audit opinion considers whether the Annual governance statement and statement of financial control has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

133. We are satisfied that the Annual Governance Statement and Statement of Financial Control for the year to 31 March 2021 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
134. The Joint Committee's governance statement notes that "although the Joint Committee is a separate legal entity, due to the administrative relationship between SCTS and 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". The Annual Governance Statement and Statement of Financial Control is consistent with the governance statement presented in SPT's annual accounts.
135. From our audit work performed we concluded that SPT has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the accounting and internal control systems.

136. The Joint Committee adapted its governance arrangements in response to the pandemic. Joint Committee meetings have continued without significant disruption.
137. We are satisfied that the Joint Committee has received sufficient and timely information throughout the period to support effective scrutiny, challenge and decision making.

Responding to the COVID-19 pandemic



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether SCTS is planning effectively to continue to deliver its services or the way in which they should be delivered.

Significant audit risk

138. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities.

Financial sustainability

The Joint Committee has recognised that the current format of the Scheme is not sustainable in the long-term without an increase in funding from local authority partners or significant operations amendments to the scheme structure or fares applicable. A root and branch review of the Scheme is underway to ensure the schemes affordability for the future. The terms of the review have been updated to include consideration of the impact on the Scheme of COVID-19.

For the financial year 2020/21, public transport usage has been and continues to be severely constrained by the impact of COVID-19. The direct financial impact on the Scheme is as yet unknown. The immediate impact is a reduction in reimbursement to operators reflecting the change in public transport usage across all modes.

Noted in the 2020/21 External Audit Plan

139. Our detailed findings on SCTS' financial framework for achieving long term financial sustainability are set out below.

2020/21 financial performance

140. The 2020/21 Comprehensive Income and Expenditure Statement shows that SCTS spent £1.313million on delivery of services. Taking into account interest received (£7,000) and the local authority requisitions (£4.039million), SCTS reported an in-year surplus of £2.733million. Usable Reserves as at 31 March 2021 were £3.460million (2019/20: £0.727million).
141. At the start of the year, SCTS approved a budget of £4.175million.

Funding contributions from the constituent local authorities were agreed at £4.039million with £0.137million funding required from reserves.

142. The favourable outturn position in 2020/21 is due to a significant decrease in payments to operators, which are driven by the reduced number of journeys made as a result of COVID-19 pandemic. In 2020/21 there were 1.008million journeys in comparison to 5.093million in 2019/20.

143. The increase in reserves in 2020/21 allows the Scheme to potentially navigate its way out of the pandemic with greater financial sustainability in the short term as it makes decisions regarding the long term viability and sustainability of the Scheme.

2021/22 budget

144. In March 2021, the Joint Committee approved its 2021/22 budget. A budget of £4.039million plus 0.9% has been approved for 2021/22, to be fully funded by local authority requisitions. The approved budget was based on the following factors / assumptions:
- Due to the favourable outturn position in 2020/21, no amendments to fares are assumed / proposed in 2021/22;
 - There continues to be a level of uncertainty on patronage levels due to the pandemic and as a result the 2021/22 budget is based on similar levels to 2019/20 (the last full financial year unaffected by the pandemic);
 - The favourable outturn position in 2020/21 was as a result of the pandemic and reduced travel during 2020. It is acknowledged that this is only short-term position.
145. An outline budget for 2022/23 was also presented to the Joint Committee. The budget for 2022/23 is set at the same level as for 2021/22 (i.e.. fully funded from local authority requisitions of £4.039million plus 0.9%). The budget however does not take into account any fare recommendations following the review of the Scheme.

Review of the Scheme

146. The Joint Committee was advised in September 2019 that the requisition from constituent authorities was no longer sufficient to cover operator payments and that it was estimated that a maximum of two years reserves were held. Subsequently the Joint Committee agreed significant fare increases for 2020/21 to help sustain the scheme whilst the major review was carried out. The impact of the pandemic however significantly changed the position in the short term with patronage and scheme costs reducing massively leading to the suspension of the planned fare increases.
147. A root and branch review of the Scheme was completed in 2020/21, taking cognisance of the ongoing pandemic. Following consideration of the findings and recommendations from the review, the Joint Committee agreed to:
- no changes in Scheme fares in 2021/22 due to the ongoing impact from the pandemic; and
 - the introduction of a simplified 'half fares' structure with capped fares applying to ferry routes and to existing rail 'rural zones'.
148. The intention is that the use of half fares will simplify the Scheme, will reduce the level of reimbursement and would increase the longer term financial sustainability of the Scheme. The implementation of the recommendations will be influenced by the timing and nature of the recovery of public transport and Scheme patronage in 2021/22.

Appendices

Appendix 1: Respective responsibilities of the Partnership, Joint
Committee and the Auditor

63

Appendix 1: Respective responsibilities of the Partnership, Joint Committee and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of the Partnership, Joint Committee and the auditor and are detailed below.

SPT and SCTS responsibilities

The Partnership and Joint Committee have primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

Area	SPT and SCTS responsibilities
Corporate governance	<p>The Partnership and Joint Committee are responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements.	<p>The Partnership and Joint Committee have responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • maintaining proper accounting records; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of SPT / SCTS. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>

Area	SPT and SCTS responsibilities
	<p>The Partnership and Joint Committee are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The Partnership and Joint Committee are responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>The Partnership and Joint Committee are responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>The Partnership and Joint Committee have a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Controller of Audit when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The total fees charged to the Group for the provision of services in 2020/21 (with prior year comparators) is as follows:

	Current year	Prior year
	£	£
Audit of Strathclyde Partnership for Transport (Auditor remuneration)	51,570	50,090
Audit of Strathclyde Concessionary Travel Scheme Joint Committee (Auditor remuneration)	4,670	4,530
Total audit	56,240	54,620
Non-audit services	-	-
Total fees	56,240	54,620

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to SPT or SCTS.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at SPT since appointment can be found at <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>



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