



SPT Annual Audit Report 2023/2024

Committee Audit and Standards

Date of meeting 6 September 2024

Date of report 15 August 2024

Report by Director of Finance & Corporate Support

1. Object of report

To provide the Committee, as those charged with governance, with the final audit report from Audit Scotland, Strathclyde Partnership for Transport (SPT's) external auditor, following the final year audit of SPT's accounts and financial arrangements for 2023/2024.

2. Background

The scope of the work to be undertaken by Audit Scotland was outlined in their Audit Plan, which was presented to the committee on 23 February 2024. The core elements of the audit work included:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement;
- an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Management Commentary, the Annual Governance Statement, and the Remuneration Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes;
- consideration of Best Value arrangements;
- providing assurance on the Whole of Government Accounts (WGA) return and Railway Safety Levy return; and
- provision of an Independent Auditor's Report expressing opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

3. Outline of proposals

The covering letter and 2023/2024 Annual Audit Report to members of the Strathclyde Partnership for Transport and the Controller of Audit is attached for noting at Appendix 1 and Appendix 2 respectively.

There are two recommendations in the report in relation to the Register of Interests for Members being out of date and an external assessment of Internal Audit being overdue. Register of Interests for Members reminders have now been issued and will be issued on an annual basis going forward. For the external assessment of internal audit, SPT are awaiting the new Public Sector Internal Audit Standards (PSIAS) guidance and plan to conduct an external assessment exercise in 2025, the last assessment was in 2017.

4. Committee action

The committee is asked to note the details of the covering letter and the 2023/2024 Annual Audit Report for SPT.

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	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

Name Lesley Aird
Title **Director of Finance & Corporate Support**

Name Valerie Davidson
Title **Chief Executive**

For further information, please contact *Stuart Paul, Head of Finance*, on 0141 333 3382.

Audit and Standards Committee

06 September 2024

Strathclyde Partnership for Transport Audit of 2023/24 annual accounts

Independent auditor's report

1. Our audit work on the 2023/24 annual accounts is now substantially complete. We anticipate being able to issue unqualified audit opinions in the independent auditor's report on 20 September 2024 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Standards Committee's consideration our draft annual report on the 2023/24 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

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

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

Unadjusted misstatements

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

6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Director of Finance & Corporate Support, acting as Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

Audit and Standards Committee

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Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Director of Finance & Corporate Support, acting as Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

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

Outstanding matters

10. There are no outstanding matters.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Strathclyde Partnership for Transport and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/2 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

Responsibilities of the Director of Finance & Corporate Support and Audit and Standards Committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Director of Finance & Corporate Support as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Director of Finance & Corporate Support concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Director of Finance & Corporate Support is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in

accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

20 September 2024

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

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

20 September 2024

Dear Fiona,

Strathclyde Partnership for Transport Annual Accounts 2023/24

1. This representation letter is provided about your audit of the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Strathclyde Partnership for Transport's annual accounts for the year ended 31 March 2024.

General

3. Strathclyde Partnership for Transport and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Strathclyde Partnership for Transport have been recorded in the accounting records and are properly reflected in the financial statements.

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

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (2023/24 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Strathclyde Partnership for Transport at 31 March 2024 and the transactions for 2023/24.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Strathclyde Partnership for Transport's circumstances and have been consistently applied.

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

Prior Year Restatement

9. I confirm that the prior year restatement has corrected material errors, and that the comparative information presented gives a true and fair view of the financial position of the Strathclyde Partnership for Transport at 31 March 2023 and the transactions for 2022/23.

Going Concern Basis of Accounting

10. I have assessed Strathclyde Partnership for Transport's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Strathclyde Partnership for Transport's ability to continue as a going concern.

Assets

11. I carried out an assessment at 31 March 2024 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2024.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2024 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2024 of which I am aware where the conditions specified in the 2023/24 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2024. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2024 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2024 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Strathclyde Partnership for Transport have been reviewed and I confirm that they are consistent with management's own view.

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

21. There are no known actual or possible legal claims that require inclusion in the accounts.

Contingent liabilities

22. There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2023/24 accounting code and IAS 37.

Fraud

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

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

Laws and Regulations

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

Related Party Transactions

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the Strathclyde for Partnership's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

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

Corporate Governance

28. I confirm that the Strathclyde Partnership for Transport has undertaken a review of the system of internal control during 2023/24 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I

have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2024, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

30. All events subsequent to 31 March 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Director of Finance & Corporate Support

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

Outstanding matters

10. There are no outstanding matters.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Strathclyde Partnership for Transport and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/2 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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Responsibilities of the Director of Finance & Corporate Support and Audit and Standards Committee for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Director of Finance & Corporate Support as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Director of Finance & Corporate Support concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Director of Finance & Corporate Support is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in

accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

20 September 2024

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

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

20 September 2024

Dear Fiona,

Strathclyde Partnership for Transport Annual Accounts 2023/24

1. This representation letter is provided about your audit of the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Strathclyde Partnership for Transport's annual accounts for the year ended 31 March 2024.

General

3. Strathclyde Partnership for Transport and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Strathclyde Partnership for Transport have been recorded in the accounting records and are properly reflected in the financial statements.

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

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (2023/24 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Strathclyde Partnership for Transport at 31 March 2024 and the transactions for 2023/24.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Strathclyde Partnership for Transport's circumstances and have been consistently applied.

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

Prior Year Restatement

9. I confirm that the prior year restatement has corrected material errors, and that the comparative information presented gives a true and fair view of the financial position of the Strathclyde Partnership for Transport at 31 March 2023 and the transactions for 2022/23.

Going Concern Basis of Accounting

10. I have assessed Strathclyde Partnership for Transport's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Strathclyde Partnership for Transport's ability to continue as a going concern.

Assets

11. I carried out an assessment at 31 March 2024 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2024.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2024 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2024 of which I am aware where the conditions specified in the 2023/24 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2024. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2024 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2024 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Strathclyde Partnership for Transport have been reviewed and I confirm that they are consistent with management's own view.

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

21. There are no known actual or possible legal claims that require inclusion in the accounts.

Contingent liabilities

22. There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2023/24 accounting code and IAS 37.

Fraud

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

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

Laws and Regulations

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

Related Party Transactions

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the Strathclyde for Partnership's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

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

Corporate Governance

28. I confirm that the Strathclyde Partnership for Transport has undertaken a review of the system of internal control during 2023/24 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I

have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2024, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

30. All events subsequent to 31 March 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Director of Finance & Corporate Support

Strathclyde Partnership for Transport

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Strathclyde Partnership for Transport and
the Controller of Audit

September 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on the annual accounts are unmodified.
- 2 Two amendments were made to the accounts following the audit leading to changes of £0.125 million in the Comprehensive Income and Expenditure Statement and £1.342 million in the Balance Sheet. The financial statements and related reports are free from material misstatement.

Best Value

- 3 A formal review has been undertaken and reported to the Partnership to demonstrate how SPT is achieving Best Value.
- 4 The Regional Active Travel Strategy & Delivery Plan (ATS) has been drafted and is out for consultation. The results of the consultation and its impact upon the ATS will be reported to the Partnership later in 2024. The final ATS is expected to be presented to the Partnership for approval early in 2025.
- 5 The Strathclyde Regional Bus Strategy is currently being developed.

Financial management and sustainability

- 6 SPT has effective and appropriate arrangements to secure sound financial management. The 2023/24 outturn was £37.0 million in line with budget only after a £6.0 million unbudgeted contribution to the Subway Infrastructure Fund.
- 7 SPT has significant levels of usable reserves totalling £173.676 million (2022/23 £159.765 million) to fund its large projects.
- 8 The General Fund reserves balance has increased by £6.3 million with an increase of £5.3 million in the level of earmarked reserves.
- 9 The 2024/25 budget is based on a significant increase in income generation and no additions to reserves.

- 10** Seven new subway trains were operational as at 31 March 2024 as part of the Subway Modernisation Programme. All of the new subway trains have been brought into operation since the year end, with the legacy trains decommissioned in June 2024. The programme remains within the approved budget.
- 11** The Scottish Government budget confirmed that for 2024/25, SPT is due to receive no capital grant. Transport Scotland also informed SPT that they will receive no capital grant for the subway modernisation programme in 2024/25. Discussions are ongoing with Transport Scotland regarding 2024/25 capital funding. As a result, SPT has yet to finalise its Long-Term Financial Strategy and Reserves Policy for 2024/25.
- 12** Capital expenditure increased in 2023/24 but there has been slippage of over 19% (£10.1 million) on projects. The main area of slippage (£7.3 million) related to subway modernisation and the purchase of rolling stock. The 2024/25 Capital Programme will be kept under review with a funding gap of £7.9 million currently being projected for 2024/25. Work is ongoing to discuss options with partners, including Transport Scotland, and to submit a balanced capital budget to a future Partnership meeting.

Vision, Leadership and Governance

- 13** A Corporate Plan for 2024-2028 has been prepared to support the Regional Transport Strategy.
- 14** Register of interests for all members should be completed. Management should issue an annual reminder at a minimum for members to review their individual registers.
- 15** Governance arrangements are appropriate and operated effectively
- 16** To comply with current PSIAS, SPT should obtain an external assessment of their Internal Audit function once every five years. The last SPT assessment was in 2017. The current PSIAS are in the process of being reviewed and updated to reflect the new standards and SPT plan compliance with these.

Use of resources to improve outcomes

- 17** SPT has an established and effective performance management framework in place to report on the performance of its services.
- 18** The last few weeks of 2023/24 saw an 8.2% year-on-year increase in subway patronage and a 7.0% increase on the pre-Covid average.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Strathclyde Partnership for Transport (SPT). The scope of the audit was set out in an annual audit plan presented to the 23 February 2024 meeting of the Audit and Standards Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Strathclyde Partnership for Transport's annual accounts
- conclusions on Strathclyde Partnership for Transport's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the board of Strathclyde Partnership for Transport and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. I, Fiona Mitchell-Knight FCA, have been appointed by the Accounts Commission as auditor of Strathclyde Partnership for Transport for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment. My appointment coincides with the [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank the Audit and Standards Committee members, senior management, and other staff, particularly those in finance, for their continued cooperation and assistance.

Responsibilities and reporting

5. Strathclyde Partnership for Transport has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual

accounts that are in accordance with proper accounting practices. Strathclyde Partnership for Transport is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

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

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of Strathclyde Partnership for Transport from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £90,660 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We aim to add value to Strathclyde Partnership for Transport by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

Communication of fraud or suspected fraud

11. In line with ISA (UK) 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements), in presenting this report to the Audit and Standards Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the Partnership, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

1. Audit of 2023/24 annual accounts

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

Main judgements

Audit opinions on the annual accounts are unmodified.

Two amendments were made to the accounts following the audit leading to changes of £0.125 million in the Comprehensive Income and Expenditure Statement and £1.342 million in the Balance Sheet. The financial statements and related reports are free from material misstatement.

Audit opinions on the annual accounts are unmodified

12. The Partnership approved the annual accounts for Strathclyde Partnership for Transport (SPT) for the year ended 31 March 2024 on 20 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £7.5 million

13. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors

set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£7.5 million
Performance materiality	£4.8 million
Reporting threshold	£75,000

15. The overall materiality threshold for the audit of the annual accounts of SPT was set with reference to net assets, which we judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65% of overall materiality, reflecting factors such as findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

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

Significant findings and key audit matters

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

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

20. The significant findings from our audit are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Contract Cancellation</p> <p>In 2022/23, a bus operator handed back a number of contracts to SPT ahead of their termination date. Per the contracts, the operator was liable to cover the additional costs of SPT procuring new contracts. Overall, this resulted in £1.325m being owed by the operator to SPT.</p> <p>The operator wished to settle this by 31 March 2024 and as such, all the funds were received in 2023/24. £1.217 million was recovered through SPT withholding payments to the operator and the remaining £0.108 million was invoiced at year end. However, only £0.673 million relates to 2023/24 and the remaining £0.652 million relates to 2024/25 and 2025/26.</p> <p>At the year end, SPT had included the full £1.217 million in Trade Payables and offset this with £0.673 million in Trade Debtors. As the funds have already been received through the withheld payments, it is inappropriate to class these as receivable. In our view, this has overstated Trade Creditors and Trade Debtors.</p>	<p>Trade Debtors and Trade Creditors have been reduced by £0.673 million for the amount relating to 2023/24.</p> <p>The remaining £0.652 million has been reclassified from Trade Payables into Deferred Income to recognise that this has been received in 2023/24 but relates to future years.</p>
<p>2. Accounting Treatment of Paper Subway Tickets</p> <p>The paper tickets used for subway fares are currently included in expenditure in the year in which they are purchased as opposed to being held in stock and expensed when they are used.</p> <p>In our opinion, the subway tickets unused at year end should be held in inventory and only those used in the year should be expensed. As such, subway expenditure is overstated and inventory is understated by £0.125 million.</p>	<p>Subway expenditure has been reduced by £0.125 million relating to the cost of tickets not used in 2023/24 and inventory has increased by the same value.</p>

Issue	Resolution
<p>3. Reclassification of Subway Trains from Rolling Stock into Infrastructure Assets</p> <p>In 2023/24 SPT reclassified their subway trains from rolling stock into infrastructure assets. As such, the new subway trains brought into service in 2023/24 will be held at depreciated historical cost and not subject to revaluation.</p> <p>We have reviewed this decision, and the financial implications. Given the trains are unique to the Glasgow Subway and form part of the overall subway infrastructure, we have determined that this classification is appropriate.</p>	<p>For information only. This was judged to be a key audit matter.</p>

There is scope for improvement in the Annual Governance Statement

21. The Annual Governance Statement (AGS) was found to be missing key information as required by the Good Governance Framework such as:

- an assessment of effectiveness of key elements of the governance framework including consideration of any lapses of data security, whistleblowing and complaints,
- reference to counter fraud and anti-corruption arrangements,
- an opinion on the wider governance arrangements at SPT.

22. This was discussed with management at SPT who agreed to amend the AGS to include these requirements.

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

23. We have obtained audit assurances over the identified significant risk of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 3**Significant risk of material misstatement in the annual accounts**

Audit risk	Audit response	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • We made inquiries of staff. • We undertook detailed substantive testing of journal entries, accruals and invoices. • We evaluated significant transactions outside the normal course of business. • We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • We substantively tested income and expenditure transactions around the year-end. 	<p>Conclusion:</p> <p>No management override of controls was identified.</p>

24. We also identified “areas of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **Valuation of land and buildings:** This was an area of focus due to the degree of subjectivity in the valuation of land and buildings, which are revalued every five years. We reviewed management's assessment of the current value of these assets as at 31 March 2024 and compared this to their carrying value in the financial statements. We also reviewed management's assessment of whether there are indicators of impairment with these assets as at 31 March 2024. We are satisfied there are no material misstatements in the valuation of land and buildings.
- **Valuation of Rolling Stock:** As part of the Subway Modernisation programme, SPT brought seven new trains into service to date in 2023/24. Our audit work considered the valuation of these trains and ensured they have been capitalised in line with the Code of Practice on Local Authority Accounting. We are satisfied that the seven trains brought into service by 31 March 2024 were appropriately capitalised in line with the Code of Practice on Local Authority Accounting.

- **Pension asset:** SPT had a pension asset of £1.353 million at 31 March 2023. This is an area of audit focus due to the significant assumptions used in the calculation of the asset. A 1 year increase in member life expectancy, for example, would result in approximately a £7.455m decrease to the pension asset. The pension position was a liability in 2023/24. We are satisfied there are no material misstatements in the valuation and disclosure of the pension liability. See paragraphs 30 to 32 below.

25. There are no other matters which we need to bring to your attention.

SPT continued to apply the statutory override for the accounting for infrastructure assets

26. The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Where a component of an asset is replaced, the carrying amount (i.e., net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset.

27. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government approved a [Statutory Override - Accounting for Infrastructure Assets](#) that is applicable to 31 March 2024. The statutory override is formed of two parts:

- **Statutory Override 1:** For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority body is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- **Statutory Override 2:** For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

28. Infrastructure assets within SPT relate to the subway network and are comprised of the tunnels, track and associated electrical infrastructure. As in 2022/23, SPT applied both parts of the statutory override in the 2023/24 accounts. As part of our audit, we reviewed the infrastructure assets disclosures and the related notes, including the relevant disclosure in the accounting policies. We are satisfied that these disclosures reflect the statutory override and adequately explain the approach adopted to the readers of the annual accounts.

Actuarial forecasts have resulted in a pension liability on the balance sheet

29. We identified in our 2023/24 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. The pension liability was identified as an area of audit focus due to the material value and significant assumptions used in its calculation.

30. The net pension liability, as disclosed on the balance sheet, is £2.579 million. This figure represents the difference between the expected future payments to pensioners, and the underlying value of pension fund assets available to meet this liability.

31. Historically there has been considerable volatility year-on-year in the valuation of pension fund assets and liabilities across the public sector. Modest changes in actuarial assumptions can have a significant impact on the calculation of the closing position. This is exemplified by the pension asset in 2022/23 becoming a liability in 2023/24.

32. SPT is an admitted member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the annual accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates. We have reviewed the actuarial assumptions used for the valuation and are satisfied that they appear reasonable and in line with assumptions used by other public sector actuaries over the same period.

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

33. The unaudited annual accounts, and associated working papers, were received in line with our agreed audit timetable on 14 June 2024. The audit team received good support from finance staff which helped ensure the final accounts audit process ran smoothly.

2. Best Value

Local authority bodies have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

A formal review has been undertaken and reported to the Partnership to demonstrate how SPT is achieving Best Value.

The Regional Active Travel Strategy & Delivery Plan has been drafted for consultation.

The Strathclyde Regional Bus strategy is currently being developed.

A formal review has been undertaken to demonstrate how SPT is achieving Best Value. This addresses our one prior year audit recommendation.

34. In 2022/23 we reported that whilst there is evidence of elements of Best Value being demonstrated by SPT across a range of areas, the mechanism for formally reviewing and reporting on the arrangements to secure Best Value is not formalised and reported to the Partnership.

35. In March 2024, the Director of Finance and Corporate Support reported to the Partnership on the outcome of a formal review of the Best Value assurance framework and an assessment of the Partnership's Best Value arrangements.

36. The seven themes within the Scottish Government's Best Value guidance were used as the basis for the review. No improvement actions were identified from the review.

The Regional Active Travel Strategy & Delivery Plan was subject to a public consultation in summer 2024

37. In July 2023, "A Call to Action: The Regional Transport Strategy (RTS) for the west of Scotland 2023-2038", was approved by Scottish Ministers, and was reported to committee in September 2023. Following this, work commenced to develop an RTS Delivery Plan along with key workstreams fundamental to delivery of the RTS.

38. The new RTS identified promoting active travel and modal shift from private car use to more sustainable methods of travel as key ways of achieving the vision of the RTS and addressing issues facing the region's transport system. In support of this, an Active Travel Strategy (ATS) has been developed, seeking to alleviate key issues such as car dependency, reduce transport-related carbon emissions and to improve health and wellbeing by setting out an ambitious approach to active travel across the region.

39. The draft ATS has been developed in close collaboration with SPT's local authority partners and has taken account of public and stakeholder views through workshops and engagement meetings. Strategy development has been undertaken in accordance with Scottish Transport Appraisal Guidance (STAG) and with Transport Scotland's (TS) Active Travel Strategy Guidance.

40. The aim of the ATS and Delivery Plan is to help guide and co-ordinate strategic, cross-boundary active travel infrastructure projects and investments in the region, providing active travel delivery partners and funders with an improved understanding of the region's level of ambition and investment requirements, priorities, and timescales for achieving a step change in active travel provision and quality.

41. A Monitoring and Evaluation Plan is included within the draft ATS. The consultation period on the draft ATS was for six weeks over the period July – August 2024. The results of the consultation and its impact upon the ATS will be reported to the Partnership later in 2024. The final ATS is expected to be presented to the Partnership for approval early in 2025.

The Strathclyde Regional Bus Strategy is currently being developed

42. The RTS recognises the need to invest in transformative public transport ensuring a sufficiently attractive 'offer' to move more people by more sustainable transport modes rather than by car. The RTS concluded that the strategy vision will not be achieved without improving the quality and integration of the bus network and set out a policy aiming for a world class passenger focused public transport system. Given this conclusion, a scoping study was undertaken in partnership with Glasgow City Council to review the bus improvement provisions of the Transport (Scotland) Act 2019. The conclusions of the study were reported to Committee in February 2022. Following this, the need to for the development of a Strathclyde Regional Bus Strategy (SRBS) was identified and reported to Committee in November 2022.

43. In June 2023 the Strategy & Programmes Committee awarded a contract to consultants SYSTRA to support the development of the SRBS. Following SYSTRA's appointment a 'Case for Change' was prepared to identify issues facing bus travel in the region and drawing upon work already carried out in RTS development. The key findings arising from the Case for Change were reported to the Partnership in September 2023.

44. The analysis set out in the Case for Change highlights that while travel by bus needs to increase to meet a wide range of policy objectives set out in the RTS, bus services and patronage have been in decline over many years. The Case for Change highlights that the key aim for the SRBS has been set as: To provide a world class bus network which reverses the long-term decline in travel by bus, by developing a more efficient bus system which is fully integrated with other public transport, affordable to all and plays a key role in the social, environmental and economic development of the region. This key aim gives rise to three Strategy Objectives of:

- Improving service quality;
- Improving affordability of the network; and
- Improving the attractiveness of the network.

45. The Case for Change also sets out that three core policy areas will flow from these objectives, focused around Level of Service, Affordability and Service Quality. In late 2023 an options appraisal process was developed to assess the current model the bus services in the region and alternative delivery models to identify the most effective way of delivering the vision and objectives of the RTS.

46. The March 2024 report arising from the options appraisal process recommended that the following options should be taken forward for public consultation:

- SPT should commence work on franchising, in line with the requirements of the Transport (Scotland) Act 2019; progress with Bus Service Improvement Partnership (BSIP) arrangements; ;
- as and when may be required, consider developing business case(s) for small-scale municipal bus company(ies);
- SPT should continue working with local authorities, Transport Scotland and bus operators to continue delivery through the Bus Partnership fund; and
- business as usual and voluntary partnerships should be ruled out as more radical intervention is required.

47. At the March 2024 meeting, the Partnership approved the beginning of the public consultation on the recommended options. The consultation was launched on 2 April 2024 for a 6-week period. An update report to the Partnership in June 2024 provided a summary of responses to the consultation. The report also noted that the input received from partners and stakeholders during the bus options consultation was under review and that findings would be reported to the Partnership Board in September 2024.

48. We will continue to monitor development of the Strathclyde Regional Bus Strategy during 2024/25.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusions

SPT has effective financial management arrangements in place.

The 2023/24 outturn was £37.0 million in line with budget only after a £6.0 million unbudgeted contribution to the Subway Infrastructure Fund.

SPT has significant levels of usable reserves totalling £173.676 million to fund its large projects (2022/23 £159.765 million).

The General Fund reserves balance has increased by £6.3 million with an increase of £5.3 million in the level of earmarked reserves.

Capital expenditure increased in 2023/24 but significant slippage against planned expenditure was reported. The main area of slippage (£7.3 million) related to subway modernisation and the purchase of rolling stock.

SPT's overall spend was in line with its budget in 2023/24 only after a £6.0 million unbudgeted contribution to the Subway Infrastructure Fund.

49. SPT prepares two year rolling revenue budgets. A balanced revenue budget of £37.0 million for 2023/24 was approved by the Partnership at its meeting on 17 March 2023. The budget was prepared on the assumption that Subway passenger numbers would be sustained and, together with an average increase in Subway fares of just over 3% from January 2024, this will generate an increase in income of almost 30% compared with the 2022/23 budget. SPT achieved a breakeven position in 2023/24 only after a £6.0m unbudgeted contribution to the Subway Infrastructure Fund. Its revenue budget of £37.0 million was met by requisitions of £36.3 million from the 12 local authority partners in the SPT area and £0.7 million from Scottish Government direct grants.

50. When the budget was set it was anticipated that there would be no additions to Reserves in 2023/24 although the budget did include a contribution of £3.1 million to directly support the subway capital programme and a further £1.0 million to support the general capital programme.

51. While SPT's total spending has remained in line with its overall budget, there are significant variations in how different services have performed. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under/overspends against budget

Area	£m	Reason for variance
Underspends		
Subway	£3.1	Positive recovery in terms of Subway patronage
Interest received	£3.8	Additional interest received due to increased rates and cash balances
Overspends		
Contributions to Reserves	£6.0	Increased subway income and interest received allowed SPT to contribute to the Subway Fund, Transport Future Investment Fund and Subway Infrastructure Fund.

Source: SPT Final 2023/24 Budget Monitoring Report

Budget processes were appropriate

52. We observed that senior management and members receive regular and accurate financial information on SPT's performance against budgets. The body has appropriate budget setting and monitoring arrangements.

SPT has significant levels of usable reserves totalling £173.676 million to fund its large projects

53. The usable reserves available for use by SPT at 31 March 2024 are detailed in [Exhibit 5](#).

Exhibit 5 Usable Reserves

	31 March 2024 £m	31 March 2023 £m
General fund	116.0	109.7
Capital fund	26.4	26.3
Capital grants unapplied	28.6	21.1
Repair and renewal fund	1.5	1.5
Insurance fund	1.2	1.2
Total	173.7	159.8

The General Fund reserves balance has increased by £6.3 million

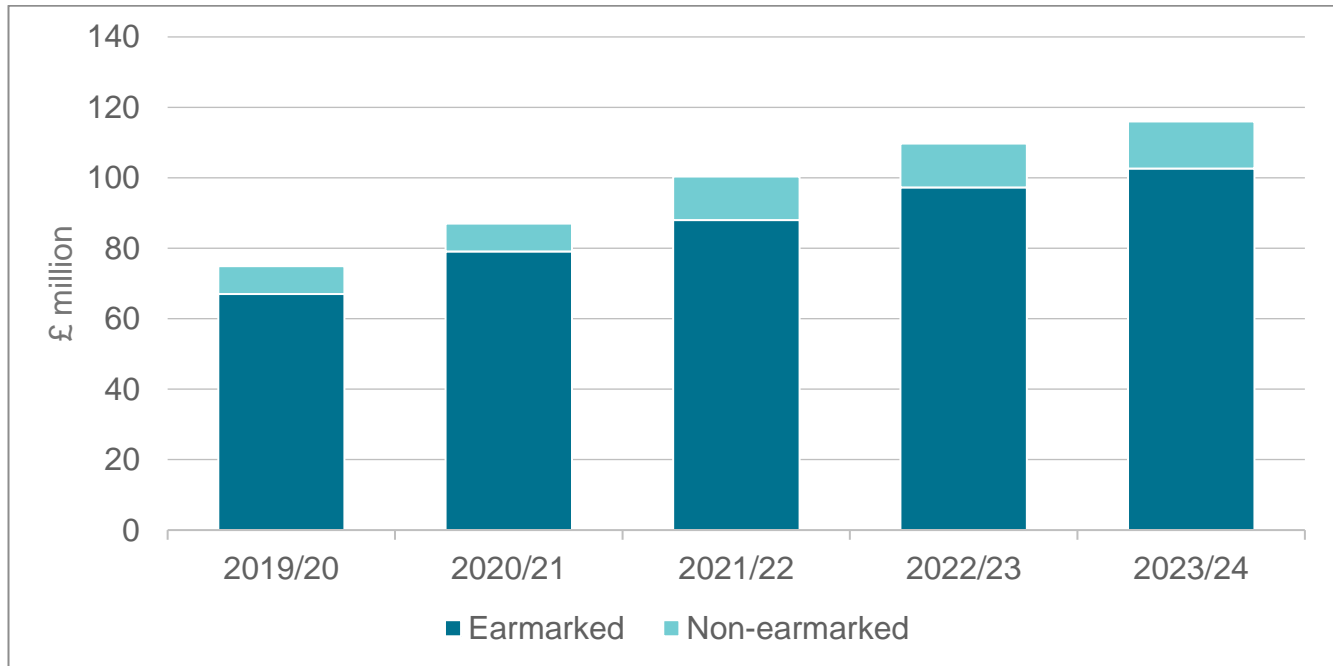
54. The General Fund balance increased from £109.7 million at 31 March 2023 to £116.0 million at 31 March 2024 mainly as a result of transfers to earmarked reserves of £9.1 million. Earmarked reserves represent £102.6 million of the total. This leaves a balance of £13.4 million of unallocated reserves which represents approximately six months of all SPT income and is held as an organisational contingency. This is consistent with SPT's reserves policy to hold a non-earmarked general fund balance at approximately six months of operational income.

There has been a significant upward movement in the level of earmarked reserves

55. [Exhibit 6](#) provides an analysis of the General Fund reserves balance over the last five years split between earmarked and non-earmarked reserves. This shows that the level of earmarked reserves has been rising since 2019/20

primarily due to funds being set aside within Reserves to fund subway modernisation and other strategic commitments.

Exhibit 6 Analysis of general fund balance



Source: SPT - Annual Accounts

56. The earmarked element of usable reserves increased in the year from £97.3 million in 2022/23 to £102.6 million in 2023/24. There are four earmarked reserves which SPT has maintained over a number of years which are both capital and revenue in nature. These are the Subway Modernisation Fund, discussed below, (£61.5 million), the Strategic Bus Routes Fund (£5.2 million), the Subway Infrastructure Fund (£23.9 million) and the Transport Future Investment Fund (£12.0 million). The purpose of each of these earmarked reserves is set out at pages 35-36 of the annual accounts.

57. While these funds are substantial, the majority of capital expenditure is being funded from the capital grants unapplied account. In addition, in 2023/24 SPT made contributions of £3.1 million to the Subway Modernisation Fund (2022/23: £5.1million) and a contribution of £6.0 million (2022/23: £4.3 million) to the Subway Infrastructure Fund.

58. None of the £58.3 million general fund earmarked balances brought forward from 2022/23 in the subway modernisation fund were used in 2023/24. The plan

is that £3.1 million will be used to contribute to funding of the 2024/25 capital programme. The balance is being held to fund works required at the end of the main Subway Modernisation project, such as replacing the subway stations. It is also anticipated that this budget will cover any organisational change costs arising from the re-organisation of the Subway, and to fund the overall Subway Modernisation Programme.

59. A detailed review of earmarked reserves did take place in 23/24 to inform discussions with Transport Scotland and the Scottish Government over the Partnership's capital funding requirements. However uncertainty over SPT's capital funding, as noted at paragraph 80, has impacted on SPT's ability to finalise its Reserves Policy for 2024/25.

60. SPT currently holds unearmarked reserves at 50% of operational income as a contingency in accordance with their Reserves Policy. In 2022/23 we reported that while it is for SPT to decide what is an appropriate level of unearmarked reserves, in our experience this is an unusually high level of unearmarked reserves.

61. CIPFA Bulletin 13 – Local Authority Reserves and Balances (Updated 2023) recommends that for each earmarked reserve held by a local authority there should be a clear protocol setting out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve's management and control, and a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

62. Future Reserves Policy reviews should continue to assess the adequacy of reserves over the lifetime of the medium-term financial plan and should also take account of the expected need for reserves in the longer term.

Capital expenditure increased in 2023/24 but there has been slippage on projects. The main area of slippage (£7.3 million) related to subway modernisation and the purchase of rolling stock

63. Total capital expenditure in 2023/24 was £42.4 million (2022/23: £37.1 million) of which £27.7 million related to subway operations and modernisation, £12.2 million related to grant funding to the other local authorities to fund capital transport projects, £1.8 million related to Bus operations and £0.7 million related to other projects. This was against a revised total budget of £52.5 million (including £35.1 million for subway operations and modernisation and £14.0

million for grant funding to the other local authorities) resulting in a total slippage of over 19%.

64. The main area of slippage (£7.3 million) related to subway modernisation and the purchase of rolling stock. In June 2024, the Director of Transport Operations reported to the Partnership that twelve trains have now been formally handed over and are in daily passenger operation and it is expected that the full fleet will be handed over by August 2024. The Director of Transport Operations also reported that following the new fleet introduction, new signalling finalisation and commissioning will become the next key milestone, followed by the installation of Platform Screen Doors and full Unattended Train Operation (UTO) capability.

65. The 2023/24 capital programme was funded by £38.4 million capital grants, and £3.9 million from the Subway Infrastructure Fund.

66. SPT's contribution to Subway Modernisation has been higher than budgeted to accommodate rephasing of Transport Scotland contributions in previous years and at 31 March 2024 was £39.0 million over the originally agreed value..

67. SPT has a specific Programme Office for monitoring and supporting internal projects. There is internal 4 weekly reporting on performance against expenditure to all budget managers and the Strategy Group and regular reporting on the capital programme to the Strategy and Programmes Committee.

Cash and investments have increased by £20.7 million

68. At 31 March 2024, SPT's cash and cash equivalents and short term investments held had a combined value of £184.9 million (2022/23: £164.2 million). The increase arose as a result of transfers to usable reserves as outlined above.

69. The large cash and investments balances have arisen due to timing issues between capital funding previously received from Scottish Government and payments being made to suppliers due to slippages in meeting pre-agreed milestones in the Subway Modernisation programme. £8.9 million was earned by the Partnership in 2023/24 solely from bank interest, in part, due to high levels of interest rates in 2023/24.

70. Cash and investments are managed in line with SPT's Treasury Management Strategy. SPT has no external debt.

SPT has appropriate financial control arrangements in place

71. As part of our audit, we develop an understanding of the partnership's control environment in those accounting systems which we regard as significant

to produce the financial statements. Our objective is to gain assurance that SPT has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature.

72. No material weaknesses or areas of concern were identified from this work which would have caused us to alter the planned approach as documented in our 2023/24 Annual Audit Plan.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusions

The 2024/25 budget is based on a significant increase in income generation and no additions to reserves.

The Scottish Government has confirmed that for 2024/25, SPT will receive no capital grant. Transport Scotland have also informed SPT that they will receive no capital grant for the subway modernisation programme in 2024/25. Funding discussions with Transport Scotland are ongoing. As a result, SPT has yet to finalise its Long-Term Financial Strategy and Reserves Policy updates for 2024/25.

Due to uncertainty with SPT's capital funding, the 2024/25 Capital Programme will be kept under review.

The Subway Modernisation Programme remains within the approved budget.

The 2024/25 budget is based on a significant increase in income generation and no additions to reserves

73. A balanced revenue budget of £36.6 million for 2024/25 was approved by the Partnership at its meeting on 15 March 2024. The budget was prepared on the assumption that Subway passenger numbers will be sustained at the current level and, together with an average increase in Subway fares of just over 3% from January 2025, this will generate an increase in income of some 10.5% compared with the 2023/24 budget. A significant increase of Bus income £1.8 million (83.0%) compared with the 2023/24 budget is also expected as a result of increased income projected for departure charges, parking, Section 75 contributions to subsidised bus services, and other facilities at bus stations.

74. The budget includes an estimated increase of £1.4 million in interest received compared with the 2023/24 budget based on interest rates staying higher for longer than originally anticipated and projected cash balances. There is also a 1.04% reduction in council requisitions. Salary costs are expected to

rise by £1.6 million however this is offset by a reduction of £2.0 million in other employee costs as a result of the reduction in the employer's contribution rate for 2024/25 and 2025/26 to Strathclyde Pension Fund (reduced from 19.3% in 2023/24 to 6.5% in 2024/25 and 2025/26). The budget also reflects an increase of £1.9 million in Bus Operator Payments, reflecting provision for increases in contract renewals and contracts added during 2023/24.

75. It is anticipated that there will no additions to Reserves in 2024/25 although the budget does include a contribution of £1.5 million to directly support the Subway capital programme and a further £2.7 million to support the General capital programme. For 2024/2025, SPT do not currently have any confirmed General Capital grant due, although discussions are ongoing with Transport Scotland. This matter is discussed further at paragraphs 79 to 81 below.

76. A draft 2025/26 balanced revenue budget of £36.2 million was also presented to the Partnership meeting of 15 March 2024. The draft Budget reflects further increases in salary costs, electricity costs, payments to Bus Operators and a reduction in interest received, offset by increased Subway income.

77. There is internal 4 weekly reporting on performance against budget to all budget managers and the Strategy Group and regular reporting to the Strategy and Programmes Committee and the Partnership Board on the financial position.

SPT has yet to finalise its Long Term Financial Strategy and Reserves Policy for 2024/25.

78. SPT's Long Term Financial Strategy (LTFS) provides financial forecasts projected forward over a 10-year period, split into short, medium and longer term forecasts. The Strategy is normally reviewed annually however in December 2023 the Scottish Government confirmed that for 2024/25, SPT will receive no capital grant (2023/24 - £15.3 million). Transport Scotland subsequently informed SPT of their intention to re-phase their agreed contribution to the subway modernisation programme, resulting in SPT receiving no capital grant for this programme in 2024/25.

79. The impact of these decisions is currently being assessed and discussions are ongoing with the Scottish Government and Transport Scotland in respect of 2024/25 funding and subsequent years. Officers have confirmed that this uncertainty has impacted on SPT's ability to finalise its Long-Term Financial Strategy and Reserves Policy for 2024/25 and that both will be presented to a future Partnership once discussions are finalised and the consequences of the funding decisions made are assessed.

80. The most recent LTFS (March 2023) identifies that SPT enters a deficit position from 2028/29 onwards and needs to save £0.637 million in 2028/29 and an additional £8.9 million over the remaining period to 2031/32. The

Strategy notes that the financial forecast will need to be monitored closely over the coming years and corrective measures put in place well in advance of 2028/29 if the projected funding deficit remains.

The 2024/25 Capital Programme will be kept under review

81. The Capital Plan 2024/25 to 2026/27 including the Capital Budget 2024/25 was approved by the Partnership at its meeting of 15 March 2024. As a result of uncertainty around capital funding, the proposed capital plan and associated capital budget for 2024/25 includes only those proposals deemed to be Category 1 (legally committed and operationally essential projects). The 2024/25 budget is £32.8 million (2023/24 £52.1 million) of which £21.2 million relates to subway modernisation and £11.6 million relates to General Capital (including subway infrastructure and subway operations). Indicative budgets for 2025/26 and 2026/27 Category 1 proposals are £31.6 million and £6.0 million respectively.

82. Projects which are neither legally committed nor an operational necessity (£14.025m) have been included in the Proposed Capital Plan 2024/25 to 2026/27 at Category 2. Officers have confirmed that had the normal level of funding been available in 2024/25, SPT would have supported their inclusion in the Proposed Capital Plan 2024/25. These projects include:

- Buchanan Bus Station Improvements (£3.4 million)
- Hope Street/Renfield Street Bus Stop Improvements (£1.6 million)
- Hairmyres (East Kilbride) Interchange Improvements (£1.0 million).

83. Funding to support the capital programme in 2024/25, comprises:

- revenue contribution of £4.2 million;
- transfer of £3.1 million from the Subway Modernisation Fund;
- transfer of £6.0 million from the Subway Infrastructure Fund; and
- transfer of £11.5 million from Capital Grants Unapplied Account.

84. This however leaves a funding gap of £7.9 million for 2024/25. Officers have confirmed that SPT is working closely with Transport Scotland to agree a position in relation to capital funding and resolve this gap and that a balanced capital budget position for 2024/25 will be submitted to a future Partnership meeting.

The Subway Modernisation Programme remains within the approved budget

85. In 2022/23 we reported that the ambitious Subway Modernisation Programme is progressing but is taking longer than originally planned. The new trains were expected to start service in 2020 with UTO scheduled to be implemented on the trains in 2021.

86. In his latest Subway Modernisation – progress update report of June 2024, the Director of Transport Operations notified the Partnership that the final two trains have been delivered to Glasgow and that on 11 December 2023 the first two trains of the new fleet were brought into passenger service for the first time. At the end of March 2024, seven new units were in service.

87. At 31 March 2024, £229.8 million has been incurred against the total budget of £288.7 million. The remaining capital commitments to subway modernisation total £53.4 million. Overall, the Subway Modernisation capital programme remains within the approved budget, including programme contingency and available funding.

SPT are leading on the development of the case for investment for the Clyde Metro

88. Plans for the Clyde Metro system were initially announced in January 2022, when the Scottish Government included the project in its 20-year transport strategy. It is currently estimated that £15 billion of investment will be needed to complete the proposals and the entire scheme could take up to 30 years.

89. In November 2023, it was announced SPT would be leading on the development of the Case for Investment (CFI) for the Clyde Metro, in partnership with Glasgow City Council (GCC) for Glasgow City Region (GCR), with Transport Scotland taking a project assurance role. In February 2024 SPT released a tender for consultancy partners to aid in developing the CFI.

90. The CFI will develop the programme level business case and is the first step towards setting out the programme of projects which will make up the Clyde Metro. It is currently estimated that it will be prepared over a period of 2 years between March 2024 and early 2026 and includes the following work packages:

- CFI Stage 1a – Case for Change & Initial Option Development
- CFI Stage 1b – Client Advisory Services
- Clyde Metro Framework
- CFI Stage 2 – Programme Business Case

91. As part of the CFI development, SPT established a multi-disciplinary consultancy services framework - the Clyde Metro Professional and Technical Services Framework - to support the completion of stage two of the CFI. This framework was separated into eight lots. The contract notice stated that tenderers could bid for inclusion on any number of lots. There was no value given for the individual lots. The duration of the framework will be three years with an option to extend for a further 12 months at the sole discretion of SPT. Tenders were to be submitted by 28 March 2024. In June 2024, the Partnership approved the organisations chosen for each Lot within the Framework .

92. Funding for the Clyde Metro project is currently being provided by GCR via GCC. At its meeting on 6 December 2023, the GCR Cabinet approved an allocation of £12.155 million to support the development of the Clyde Metro project. Currently, up to £0.6 million has been allocated to delivery of the CFI Stage 1, with £5.4 million allocated for the CFI Stage 2. A Grant Agreement between GCC and SPT for funding Stage 2 has been agreed, and a Memorandum of Understanding (MoU) has been drafted and is under review. The MoU is between all the project partners to establish arrangements for transfer of funding, confirmation of partners roles, remits and any related agreements necessary for future development of the project.

93. At 31 March 2024, £0.052 million has been incurred against the total budget of £6.5 million.

94. Work on the CFI Stage 1 workstreams 1a: Case for Change and Initial Option Development was completed in July 2024 and 1b: Client Advisory Services is due to complete in September 2024. Scoping of work required for CFI Stage 2 Programme Business Case is on target to commission required consultancy support from October 2024 onwards.

95. We will continue to monitor developments on the Clyde Metro project during 2024/25.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusions

A Corporate Plan for 2024-2028 has been prepared to support the Regional Transport Strategy.

Register of interests for all members should be completed. Management should issue an annual reminder at a minimum for members to review their individual registers.

Governance arrangements are appropriate and operated effectively.

Internal controls over key financial systems operated effectively.

To comply with PSIAS, SPT should obtain an external assessment of their Internal Audit function once every five years. The last assessment was in 2017.

A Corporate Plan for 2024-2028 has been prepared to support the Regional Transport Strategy

96. In July 2023, Scottish Ministers approved the final draft Regional Transport Strategy (RTS), 'A Call to Action' – the statutory RTS for the west of Scotland 2023-38.

97. To support the RTS, a Corporate Plan covering 2024-2028 has been prepared and was presented to the Partnership Board in March 2024.

98. The Corporate Plan sets out seven strategic objectives which are based on the RTS:

- To improve accessibility, affordability, availability and safety of the transport system, ensuring everyone can get to town centres, jobs, education, healthcare and other everyday needs.
- To reduce carbon emissions and other harmful pollutants from transport in the region.
- To enable everyone to walk, cycle or wheel and for these to be the most popular choices for short, everyday journeys.
- To make public transport a desirable and convenient travel choice for everyone.
- To improve regional and inter-regional connections to key economic centres and strategic transport hubs for passengers and freight.
- To provide effective and efficient management of the Partnership's people and resources.
- To provide a high level of service based on the needs and expectations of customers.

Registers of Interests have not been updated since 2022

99. In accordance with the Partnership's Code of Conduct for Members, each member of the Board is required to complete a register of interests. The register is intended to be a public record of interests that might, by their nature, be likely to conflict with a members' role. Register of Interests were completed by members on their appointment to the Board in 2022 following the local government elections and are published on the Strathclyde Partnership for Transport website.

100. None of the registers of interests have been updated since 2022. There are also members of the Board where a register of interest is not held. At the time of completing our audit, management confirmed they had requested all members complete a register of interests but had not issued a reminder for members to update registers since they were first completed in 2022.

101. Members are required by the Ethical Standards in Public Life (Scotland) Act 2000 (Register of Interests) Amendment (No. 2) Regulations 2021 to update entries in the register of interests within one month of circumstances changing. Maintaining up to date registers is important for public transparency, and to ensure the Board meet the accounting requirements of IAS 24 Related Party Disclosures which requires certain interests to be disclosed explicitly within the annual accounts. Our audit procedures identified some registers with potentially missing disclosures, however these did not meet the criteria for disclosure within the accounts.

102. Declaration of interests is a standing item at meetings of the Board and we are aware all councillors complete register of interests with the local authority that they represent. However, this does not apply to the appointed members. To ensure any changes in registers are identified, it is best practice for management to issue an annual reminder at a minimum for members to review their individual registers.

Recommendation 1

Register of interests for all members should be completed. Management should issue an annual reminder at a minimum for members to review their individual registers.

Governance arrangements are appropriate and operated effectively

103. As part of the audit process we assess the governance arrangements within SPT and review the Annual Governance Statement in the annual report and accounts. We concluded that, aside from the registers of interest, arrangements are appropriate and operated effectively during 2023/24.

104. Through our attendance at Audit and Standards Committee meetings, we concluded that committee papers were well prepared (and in sufficient time in advance of meeting for review), adequate time was allowed to discuss the issues on the agenda and committee members were well-prepared and asked appropriate questions. This enables the Audit and Standards Committee to exercise effective scrutiny.

Internal controls over key financial systems operated effectively

105. As part of our audit, we develop an understanding of the control environment in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that systems of recording and processing transactions provide a sound basis for the preparation of the financial statements. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. No material weaknesses or areas of concern were identified from our work which would have caused us to alter the planned approach as documented in our 2023/24 Annual Audit Plan.

Internal audit have provided a reasonable assurance opinion for the year to 31 March 2024

106. The partnership obtained independent assurance on its governance arrangements from Internal Audit. In his Annual Report and Opinion for 2023/24 to the Audit and Standards Committee in June 2024, the Audit and Assurance Manager reported that reasonable assurance can be placed upon the adequacy and effectiveness of the partnership's framework of governance, risk management and internal control in the year to 31 March 2024.

107. From the twelve assurance reviews completed in 2023/24, five were classified as 'sound in most areas' and the remaining seven were 'reasonable'.

108. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2023/24 we did not plan to place formal reliance on the work of internal audit to support our financial statements audit opinion. However, we considered internal audit report findings as part of our work. None of the internal audit findings impacted our audit approach.

An internal audit external assessment has not been carried out within five years as required by Public Sector Internal Audit Standards

109. Public Sector Internal Audit Standards (PSIAS) requires that external assessments of internal audit must be carried out at least once every five years. The last external assessment of SPT Internal Audit function was carried out in March 2017.

110. On 9 January 2024, the Institute of Internal Auditors issued new Global Internal Audit Standards and have informed they will issue new guidance on external assessment/self-assessment criteria by 2025. However, the current PSIAS remain active and so SPT Internal Audit function are not meeting the current requirements.

Recommendation 2

To comply with PSIAS, SPT should obtain an external assessment of their Internal Audit function once every five years.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

111. Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

112. SPT has a range of established procedures in place designed to maintain standards of conduct, prevent and detect bribery and corruption and prevent and detect of fraud and error.

113. The Counter Fraud Strategy is available to all staff via the Partnership's website. There are codes of conduct for members and staff which are available on the intranet. The Partnership has also implemented and publicised the National Whistleblowing Standards as established by the Independent Whistleblowing Officer. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current. We concluded that the Partnership has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Cyber Security arrangements

114. As reliance on technology grows within audited bodies, failure of network and information systems has a bigger impact on the delivery of public services. In addition, there are more opportunities to compromise those systems. All public bodies need to recognise these cyber threats and embrace the importance of protecting data and securing information.

115. SPT have confirmed that their internal IT team follow the Cyber Resilience Framework in assessing the risks applicable to their IT systems. Reports from their own reviews on Cyber Security are presented to the Cyber Security Group and Strategy Group. Cyber security and system continuity are detailed in the corporate risk register. A Vulnerability Register is also maintained and reviewed at least monthly.

116. An Incident Response Plan is in place and was last tested in February 2024 and was subsequently updated in May 2024. There have been no cyber security incidents identified or detected in the last year.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusion

SPT has an established and effective performance management framework in place.

SPT's Annual Report was published in July 2024.

Subway patronage has increased. The last few weeks of 2023/24 saw an 8.2% year-on-year increase and a 7.0% increase on the pre-Covid average.

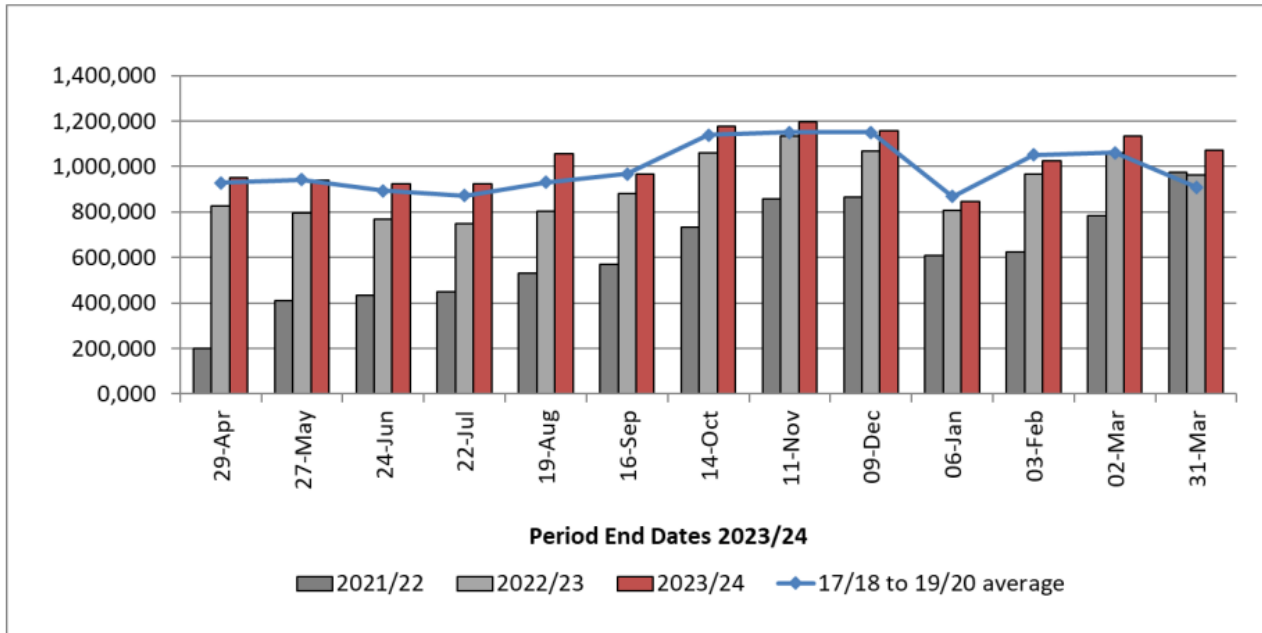
SPT has an effective performance management framework in place

117. The Operations Committee is routinely presented with monitoring reports on the operational performance of public transport services and facilities which are delivered directly by the Partnership or by others on behalf of the Partnership.

118. The largest areas of SPT's expenditure relate to subway and bus operations. [Exhibit 7](#) below illustrates the subway patronage by period over the last three years. The April 2024 monitoring report notes that there were more than 3.2 million Subway journeys in the three periods to 31 March 2024. Overall this was 8.2% up year-on-year and 7.0% on the pre-Covid average.

Exhibit 7

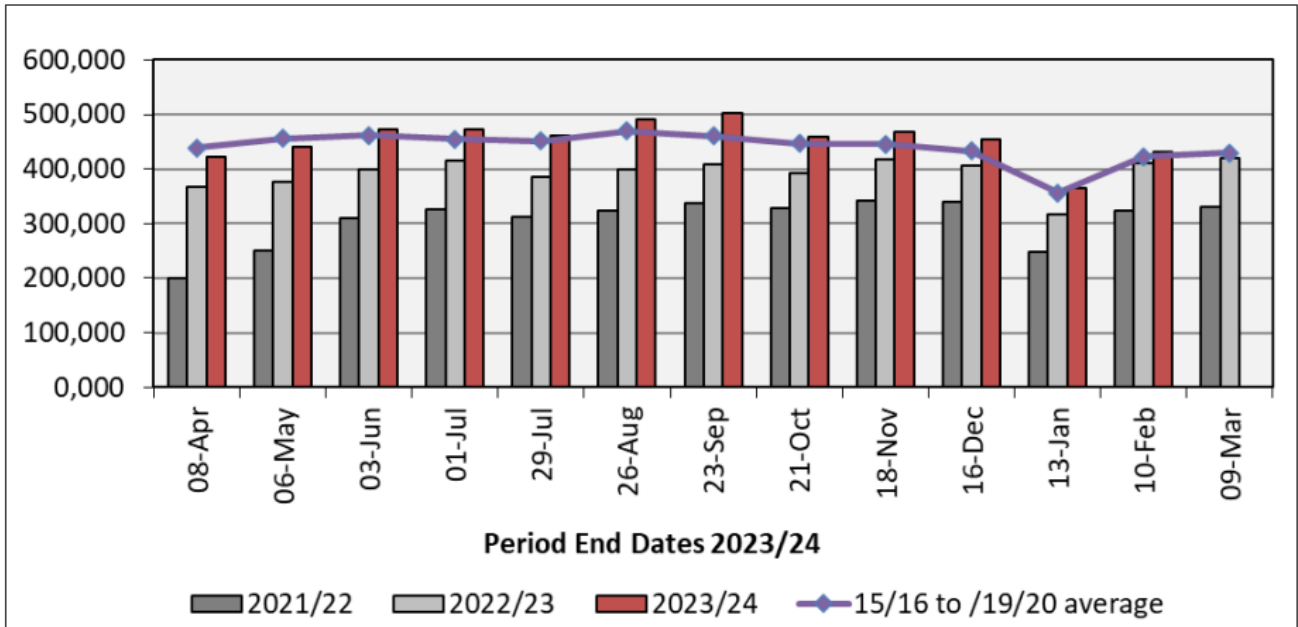
Subway patronage over the last three years



Source: SPT – Performance Monitoring Report April 2024

119. [Exhibit 8](#) below shows a continued improving trend from 2022/2023 to 2023/2024. The April 2024 monitoring report notes that over the three periods to 10 February 2024, SPT delivered more than 1.2 million supported bus journeys - up 10.3% year-on-year and up 3.2% on the pre-Covid average for the same three periods.

Exhibit 8
Bus patronage over the last three years

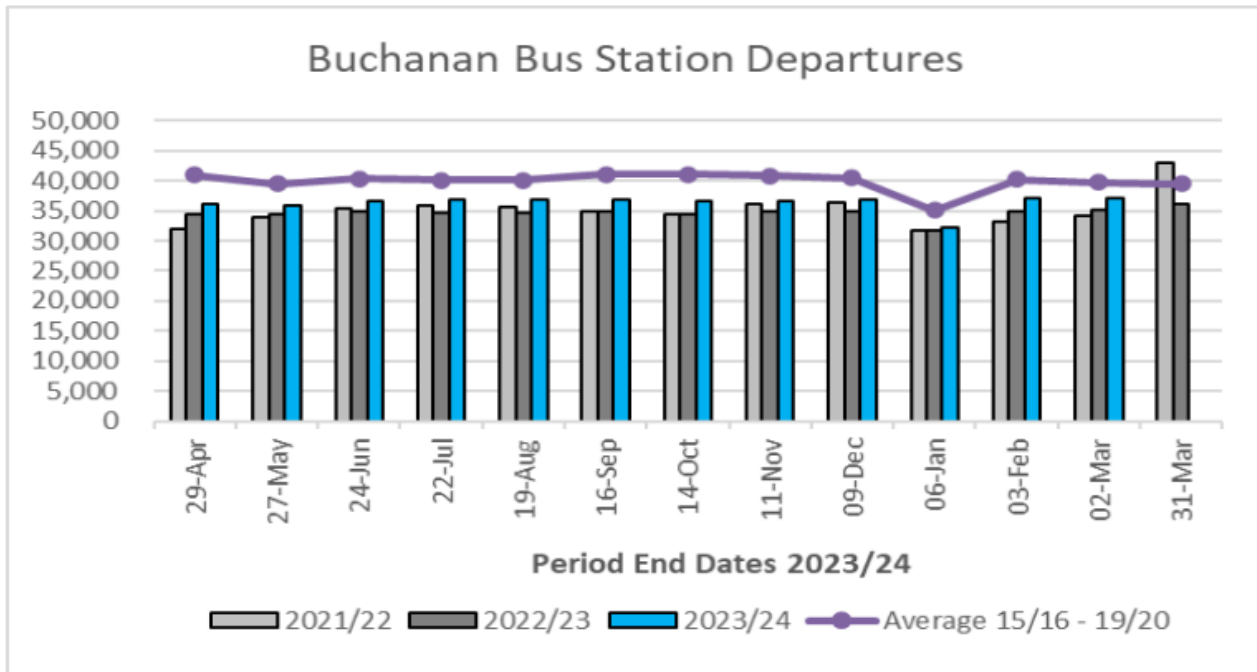


Source: SPT – Performance Monitoring Report April 2024

120. [Exhibit 9](#) below shows Buchanan Bus Station departures for the current year and previous three years. The April 2024 monitoring report notes that there were more than 106,000 bus departures from Buchanan Bus Station in the three periods to 2 March 2024 - up 4.5% year-on-year and down 7.6% on pre-Covid.

Exhibit 9

Buchanan Bus Station departures over the last four years.



Source: SPT – Performance Monitoring Report April 2024

121. The monitoring reports also routinely provide details on school transport, MyBus, compliance inspections, complaints and rail Services within the Partnership area.

122. We concluded that SPT has an established and effective performance management framework that managers and members clearly understand, and that this provides a sound base for improvement.

The Annual Report was published in July 2024

123. Effective annual reporting in the public sector is more important than ever. The COVID-19 pandemic and, more recently, the energy price crisis resulted in extraordinary public spending interventions by the government to support the public and the economy. Making public spending transparent and understandable to those who fund it is therefore critical.

124. SPT's Annual Report 2023/24 was published in July 2024 and is one of the key documents used to inform stakeholders on activities during the year, and on how resources have been allocated to deliver outcomes.

125. The Annual Report provides links to the new Regional Transport Strategy 2023-38, development of the Strathclyde Regional Bus Strategy and preparing for the Clyde Metro along with highlights from the year including the Subway Modernisation Programme, improvements to Bus infrastructure, and School and Community Transport. The Report also details progress on supporting active travel and provides a carbon management update.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Register of Interests</p> <p>Register of interests for some members of the Board are not held. All other registers have not been updated since 2022 with no reminders issued.</p> <p>Risk: Members interests are not identified and the Board does not comply with the requirements of IAS 24 Related Party Disclosures.</p>	<p>Register of interests for all members should be completed. Management should issue an annual reminder at a minimum for members to review their individual registers.</p> <p>Paragraph 103</p>	<p>Accepted</p> <p>This was an oversight. Reminders have since been issued and will be issued annually going forward.</p> <p>Responsible officer: Senior Solicitor</p> <p>Agreed date: Complete</p>
<p>2. Internal Audit External Assessment</p> <p>Public Sector Internal Audit Standards (PSIAS) requires that external assessments of internal audit must be carried out at least once every five years. The last external assessment of SPT IA was carried out in March 2017.</p> <p>Risk: SPT's internal audit function are not compliant with Public Sector Internal Audit Standards.</p>	<p>To comply with PSIAS, SPT should obtain an external assessment of their Internal Audit function once every five years.</p> <p>Paragraph 111</p>	<p>Partially accepted</p> <p>SPT await the new PSIAS guidance and plan to conduct an external assessment exercise in 2025, the last assessment was in 2017.</p> <p>Responsible officer: Audit & Assurance Manager</p> <p>Agreed date: 31/12/2025</p>

Strathclyde Partnership for Transport

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