



SCTSJC 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 Concessionary Travel Scheme Joint Committee (SCTSJC's) external auditor following the final year audit of SCTSJC'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 Concessionary Travel Scheme Joint Committee and the Controller of Audit is attached for noting at Appendix 1 and Appendix 2 respectively.

There is one recommendation in the report in relation to the Register of Interests for Members being out of date. Register of Interests for Members reminders have now been issued and will be issued on an annual basis going forward.

4. Committee action

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

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

20 September 2024

Strathclyde Concessionary Travel Scheme Joint Committee 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 the Treasurer

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

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

Outstanding matters

10. There are no areas where we still require additional information.

Appendix A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 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 2023/24 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

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

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Reporting on other requirements

Other information

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

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

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
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 Concessionary Travel Scheme Joint Committee Annual Accounts 2023/24

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

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

General

3. Strathclyde Concessionary Travel Scheme Joint Committee 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 Concessionary Travel Scheme Joint Committee have been recorded in the accounting records and are properly reflected in the financial statements.

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

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 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 Concessionary Travel Scheme Joint Committee 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 Concessionary Travel Scheme Joint Committee's circumstances and have been consistently applied.

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

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 Concessionary Travel Scheme at 31 March 2023 and the transactions for 2022/23.

Going Concern Basis of Accounting

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

Liabilities

11. All liabilities at 31 March 2024 of which I am aware have been recognised in the annual accounts. This includes all known actual or possible legal claims.

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

Contingent liabilities

13. 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

14. 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

15. 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

16. 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 Concessionary Travel Scheme Joint Committee's related parties and all the related party relationships and transactions of which I am aware.

Management commentary

17. 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

18. I confirm that the Strathclyde Concessionary Travel Scheme Joint Committee 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.

19. 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

20. 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

Treasurer

Strathclyde Concessionary Travel Scheme Joint Committee

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Strathclyde Concessionary Travel Scheme Joint Committee 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 There were one identified material misstatement within the financial statements which was corrected.

Wider scope audit findings on financial sustainability and Best Value

- 3 The Joint Committee delivered a small deficit of £0.065 million in 2023/24 which was funded from reserves. Its reserves now stand at £5.199 million (£5.264 million in 2022/23).
- 4 The 2024/25 budget requires use of reserves of £0.936 million with reform of the scheme required to secure its financial sustainability.
- 5 The Joint Committee has delayed the introduction of a revised fare structure until April 2025. Further delays to the introduction of the revised fare structure beyond April 2025, based on current projections, risk putting the continued financial sustainability of the scheme at risk.
- 6 Register of interests are not held for some members, and all other register of interests have not been updated since 2022. Register of interests for all members should be completed, and management should issue an annual reminder for members to review their individual registers.
- 7 There is evidence of Best Value being demonstrated by the Joint Committee.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Strathclyde Concessionary Travel Scheme Joint Committee (SCTS). The scope of the audit was set out in an annual audit plan presented to the 15 March 2024 meeting of the Joint Committee. This Annual Audit Report comprises:

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

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

Audit appointment

3. I, Fiona Mitchell-Knight FCA, have been appointed by the Accounts Commission as auditor of Strathclyde Concessionary Travel Scheme Joint Committee for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

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

Responsibilities and reporting

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

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

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

8. We have one improvement recommendation to report from our audit. This is set out in the agreed action plan at [Appendix 1](#) detailing the specific recommendation, the responsible officer, and date 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 £6,580 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 add value to Strathclyde Concessionary Travel Scheme Joint Committee by:

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

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 Joint Committee, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Part 1. Audit of 2023/24 annual accounts

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

Main judgements

Audit opinions on the annual accounts are unmodified

There were one identified material misstatement within the financial statements which was corrected.

Audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2024 were considered by SPT's Audit and Standards Committee on 6 September 2024 and approved by Strathclyde Concessionary Travel Scheme (SCTS) Joint Committee 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 management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £90,000

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

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£90,000
Performance materiality	£68,000

Materiality level	Amount
Reporting threshold	£5,000

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

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

16. 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

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

18. 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.

19. The one significant finding from our audit is reported in [Exhibit 2](#).

Exhibit 2

Significant finding from the audit of the annual report and accounts

Issue	Resolution
<p>1. Payments to Operators</p> <p>SCTS make payments to the scheme's operators based on claims received on a quarterly basis. For cashflow purposes, interim payments are made monthly to operators based on estimated claim amounts.</p> <p>We identified that some interim payments to operators were recorded in the incorrect financial year. This was a result of the timing of when these payments were made.</p> <p>Accounts are required to be prepared based on an accruals basis. This accruals concept requires the non-cash effect of transactions to be included in the financial statements in the year in which they occur, not in the period in which the cash is paid or received. The original accounting treatment was inconsistent with this concept.</p>	<p>SCTS has agreed to adjust the 2023/24 accounts. Payments to operators in 2023/24 have increased by £0.150 million to £4.077 million.</p> <p>A prior year restatement was also required to correct the 2022/23 figures presented. Payments to operators in 2022/23 has reduced by £0.106 million to £3.308 million.</p> <p>This has also affected the Balance Sheet and the Joint Committee's usable reserves. 2022/23 short term debtors has increased by £0.239 million to £0.292 million and 2023/24 short term debtors increased by £0.089 million to £0.192 million. The Joint Committee's usable reserves have increased by £0.089 million to £5.199 million at 31 March 2024.</p>

There is scope for improvement in the Annual Governance Statement

20. 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.

21. This was discussed with management who agreed to amend the AGS to include these requirements.

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

22. We have obtained audit assurances over the identified significant risks of material misstatement to 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

Identified 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 assessed the design and implementation of controls over journal entry processing. • We made inquiries of staff about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We tested journals at the year-end along with post-closing entries with a focus on significant risk areas. • We evaluated significant transactions outside the normal course of business. • We substantively tested income and expenditure transactions around the year end to confirm they were accounted for in the correct financial year. • We carried out focussed testing of accounting accruals and prepayments to confirm they were correctly accounted for. 	<p>Conclusion:</p> <p>No management override of controls was identified. The error detailed in Exhibit 2 was considered an accounting error, and not an instance of management override of control.</p>

There were one identified material misstatement within the financial statements

23. Other than the corrected material misstatement detailed as a significant finding in [Exhibit 2](#), the audit identified no material misstatements above the reporting threshold.

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

24. The unaudited annual accounts and supporting 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.

Follow up of prior year recommendations

25. There were no improvement actions raised in our 2022/23 Annual Audit Report.

Part 2. Wider Scope Audit Work

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

Conclusion

The Joint Committee delivered a small deficit of £0.065 million in 2023/24 which was funded from its reserves. Its reserves now stand at £5.199million (£5.264 million in 2022/23)

The 2024/25 budget requires use of reserves of £0.936 million with reform of the scheme required to secure its financial sustainability

The Joint Committee has delayed the introduction of a revised fare structure until April 2025. Further delays to the introduction of the revised fare structure beyond April 2025, based on current projections, risk putting the continued financial sustainability of the scheme at risk

Registers of interest are not held for some members, and all other register of interest have not been updated since 2022. Register of interest for all members should be completed, and management should issue an annual reminder for members to review their individual registers

There is evidence of Best Value being demonstrated by the Joint Committee.

26. In our annual audit plan, we identified the financial sustainability of the concessionary travel scheme as a wider scope risk on which we would focus attention.

The Joint Committee delivered a small deficit in 2023/24

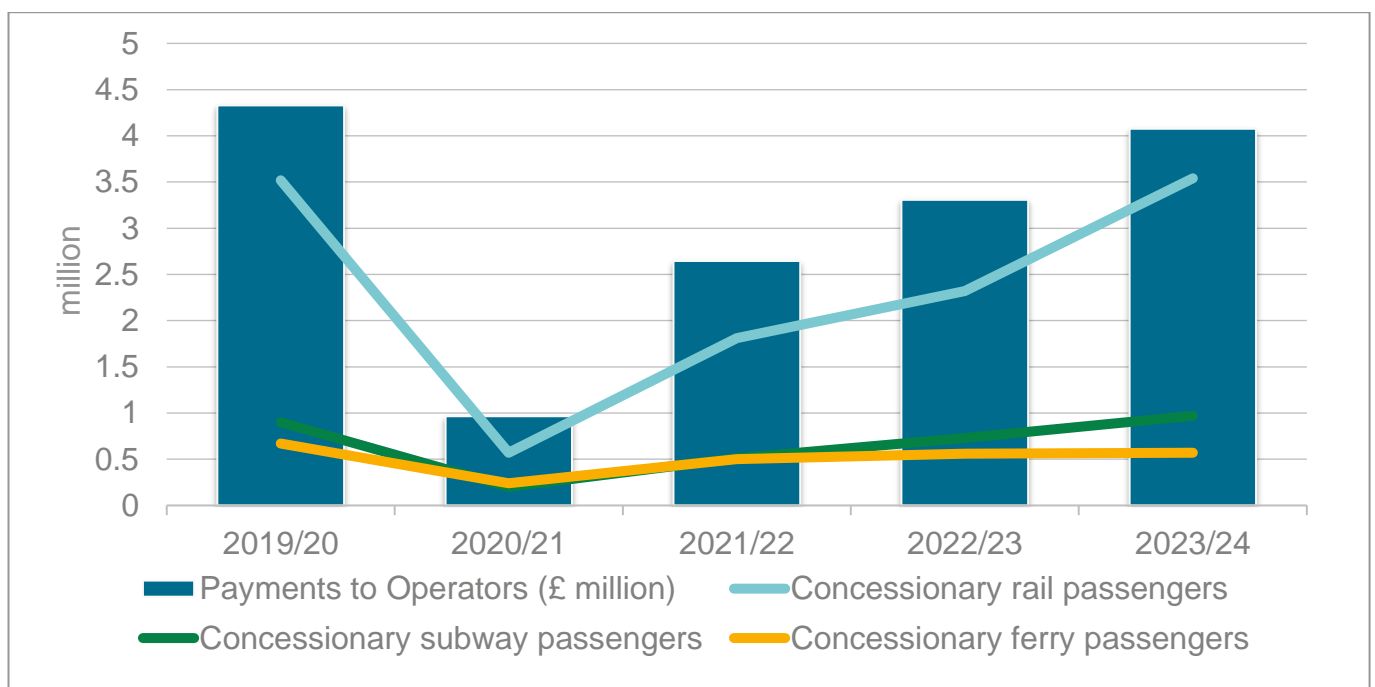
27. The actual outturn in 2023/24, as reported in the annual accounts, was total expenditure of £4.483 million and total income of £4.418 million, resulting in an overspend of £0.065 million (2022/23 £0.536 million underspend) which has been funded from the Joint Committee's reserves.

28. Local authority requisitions of £4.138 million were in line with budget. A small unbudgeted deficit was delivered due to payments to operators exceeding the amount budgeted following a significant increase in concessionary travel passengers during the year. The Joint Committee's reserves now stand at £5.199 million.

A reimbursement capping agreement was reached with Scotrail ensuring the Joint Committee were not financially disadvantaged by the off-peak fares pilot

29. Demand for concessionary travel increased significantly during 2023/24 with the Joint Committee reporting that demand has almost increased to pre-Covid levels. This has resulted in payments to operators increasing by 23% when compared with 2022/23. [Exhibit 4](#) below details scheme patronage for the period 2019/20 to 2023/24 and the total payments to the scheme operators.

Exhibit 4 Scheme patronage and payments to operators by year



Source: Strathclyde Concessionary Travel Scheme Joint Committee monitoring reports and Strathclyde Concessionary Travel Scheme Annual Accounts

30. Concessionary passenger numbers on ferry services remained largely unchanged in 2023/24 with the most significant increase in demand evident within rail services. This is partly attributable to the off-peak fares pilot that has operated on Scotrail services since 1 October 2023 which has removed peak rail fares. Before the introduction of the pilot, concessionary travel passengers were not able to claim a concessionary fare on peak travel and there was therefore no associated cost for the scheme. As part of the pilot however, concessionary fares are now available all day.

31. A report to the SCTS Joint Committee in September 2023 noted that large increases in the number of concessionary rail journeys could have a considerable financial impact on the scheme. As had been anticipated, interim data provided by Scotrail for the first three quarters of the financial year reported that

concessionary rail use had increased by 16% during the pilot with notable increases in journeys made during peak periods.

32. To ensure the Joint Committee were not financially disadvantaged by the off-peak fares pilot, a reimbursement capping agreement was reached with Scotrail for the duration of 2023/24 which reduced the level of payments made. Payments by the scheme to Scotrail would have been higher in 2023/24 without the agreement in place.

The 2024/25 budget requires use of reserves of £0.936 million with reform of the scheme required to secure its financial sustainability

33. The 2024/25 budget was approved at the March 2024 meeting of the Joint Committee and was set at £5.031 million, to be funded by £4.095 million of local authority requisitions and a draw on reserves of £0.936 million. The budget has been based on passenger numbers remaining unchanged, but with operator reimbursement increasing due to expected fare increases within rail, ferry and subway. This is expected to reduce the Joint Committee's reserves to £4.263 million at 31 March 2025 which would represent a decrease in reserves equivalent to 22%.

34. A long-term financial forecast for the next 10 years was prepared alongside the revenue budget in March 2024. Based on projections at that time, the scheme was forecast to use all of its remaining reserves before the end of the 2027/28 financial year. As recognised by the Joint Committee, the scheme is not sustainable in its current format. Reform of the scheme is required to secure its financial sustainability.

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

35. In 2019, the SCTS Joint Committee were advised that without intervention, the Scheme in its current form was not sustainable with a maximum of two years' worth of funding reserves remaining. A revised concessionary fares structure was agreed in 2021 to address this. During the Covid-19 pandemic, passenger numbers reduced improving the financial position of the scheme and allowing the scheme to build up additional reserves. Given the improved financial position of the scheme, the Joint Committee have agreed in each year since to delay the introduction of the revised fare structure.

36. In March 2024, a report to the Joint Committee noted that the reserves built up would allow the scheme to continue sustainably in its current format until at least April 2025, when clearer passenger numbers may be more established. It was recognised however the deferral of fare increases is a short-term position, and the new fare structure will need to be put into effect at a later date in order to safeguard the long term future of the scheme. The Treasurer reported that the new fare structure would reduce the operator reimbursement costs by approximately £1.6 million. The Joint Committee agreed to pause the implementation of the new fares structure until April 2025.

37. With the current fare structure, the Joint Committee would need to use a further £1.220 million in reserves in 2025/26 which would reduce the reserves balance to a projected £3.043 million. Further delays to the introduction of the

revised fare structure beyond April 2025, based on current projections, risk putting the continued financial sustainability of the scheme at risk.

Registers of Interests have not been updated since 2022

38. In accordance with the Joint Committee's Code of Conduct for Members, each member of the Joint Committee 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 Joint Committee in 2022 following the local government elections and are published on the Strathclyde Partnership for Transport website.

39. None of the registers of interests have been updated since 2022. There are also members of the Joint Committee 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.

40. Members are required by the Ethical Standards in Public Life etc (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 Joint Committee meet the accounting requirements of International Accounting Standard (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.

41. Declaration of interests is a standing item at meetings of the Joint Committee and we are aware all members also complete register of interests with the local authority that they represent. 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.

High-level systems of internal control operated effectively during 2023/24

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

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

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

There is evidence of Best Value being demonstrated by the Joint Committee

45. There is evidence of Best Value being demonstrated by the Joint Committee. The detailed reviews of the scheme have considered how best to address the scheme's objectives and ensure its financial sustainability.

46. We have seen evidence of a commitment to improve the operation of the scheme for its users. Administrative processing times have improved in 2023/24, and the scheme is exploring options with Scotrail to allow concessionary travel passengers to buy tickets using ticket vending machines at Scotrail stations.

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 Joint Committee 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 Joint Committee 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 41</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>

Strathclyde Concessionary Travel Scheme Joint Committee

2023/24 Annual Audit Report

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