Strathclyde Concessionary Travel Scheme Joint Committee

2024/25 Annual Audit Report

AUDIT SCOTLAND

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

September 2025

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Key messages

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1 All audit opinions stated that the annual accounts were free from material misstatement.

2 There were no significant findings or key audit matters to report.

Financial Sustainability and Best Value audit

3 SCTS has effective and appropriate arrangements in place for securing financial sustainability.

4 Expenditure exceeded income by £1.463 million in 2024/25 which has been funded from SCTS's reserves. Reserves of £3.736 million are held at 31 March 2025.

5 A new concessionary fare structure was introduced in April 2025, which increases the majority of concessionary fares. SCTS has more financial sustainability as a result, with plans showing that reserves can now be sustained until the end of financial year 2032/33.

6 The 2025/26 budget has been set at £3.752 million. This is to be funded by £4.178 million of local authority requisitions and will allow a transfer to reserves of £0.427 million.

7 SCTS has effective and appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Strathclyde Concessionary Travel Scheme Joint Committee's annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to Strathclyde Concessionary Travel Scheme Joint Committee, hereafter referred to as 'SCTS' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Fiona Mitchell-Knight (FCA), of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Fiona Mitchell-Knight (FCA) and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank SCTS members, senior management and other staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- 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 opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- Concluding on the financial sustainability of SCTS and a review of the Annual Governance Statement.
- Reporting on the SCTS's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on the SCTS's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

SCTS's responsibilities

10. SCTS has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements that give a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to SCTS and the Audit and Standards Committee. Details of national and performance audit reports published over the last year can be seen in Appendix 3.

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts are free from material misstatement.

There were no significant findings or key audit matters to report.

Audit opinions on the annual accounts

12. SCTS's annual accounts were considered by the Audit and Standards Committee on 5 September 2025. The annual accounts were approved by the SCTS Joint Committee on 19 September 2025 and certified by the appointed auditor on the same date. The Independent Auditor's Report is included in the body's annual accounts and this reports that, in the appointed auditor's opinion, these are free from material misstatement.

Audit timetable

13. The unaudited annual accounts and all working papers were received on 16 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £6,710. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the body were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for SCTS

Materiality	Amount
Materiality – set at 2% of gross expenditure	£117 thousand
Performance materiality – set at 70% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£82 thousand
Reporting threshold – set at 5% of materiality.	£6 thousand

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the body is the Audit and Standards Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Other matters to report

24. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. There are no matters of this nature to report.

Significant matters discussed with management

25. All significant matters identified during the audit and discussed with the SCTS's management have been reported in the Annual Audit Report.

Audit adjustments

26. No audit adjustments were required to the financial statements greater than the reporting threshold of £6 thousand. There are no corrected misstatements to report.

Significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 2.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Audit response	Results and Conclusions
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• 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 testing income and expenditure transactions around the year-end.	**Conclusion**: no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

28. SCTS has progressed the agreed prior year audit recommendation. The response is outlined in Appendix 1.

Financial Sustainability and Best Value audit

Conclusion

SCTS has effective and appropriate arrangements in place for securing future financial sustainability.

Expenditure exceeded income by £1.463 million in 2024/25 which has been funded from SCTS's reserves. Reserves of £3.736 million are held at 31 March 2025.

A new concessionary fare structure was introduced in April 2025, which increases the majority of concessionary fares. SCTS has more financial sustainability as a result, with plans showing that reserves can now be sustained until the end of financial year 2032/33.

The 2025/26 budget has been set at £3.752 million. This is to be funded by £4.178 million of local authority requisitions and will allow a transfer to reserves of £0.427 million.

SCTS has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

29. The Annual Audit Plan reported the body was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of SCTS.

Best Value

30. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which the body does.

31. Consideration of the arrangements the body has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

32. The audit work performed on the arrangements SCTS has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by SCTS:

- making appropriate arrangement to develop medium and longer-term financial plans.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

SCTS reported a deficit of £1.463 million in 2024/25

33. The actual outturn in 2024/25, as reported in the annual accounts, was total expenditure of £5.841 million and total income of £4.378 million, resulting in a deficit of £1.463 million (2023/24: deficit of £0.065 million) which has been funded from SCTS's reserves.

34. Local authority requisitions of £4.095 million were in line with budget. SCTS's reserves now stand at £3.736 million.

Concessionary travel patronage increased this year

35. Demand for concessionary travel which had dropped significantly during the pandemic, increased to almost pre-pandemic levels during 2023/24. During 2024/25, demand has continued to increase and was 20% higher than in 2023/24.

36. Concessionary travel increased across all modes of transport for the first three quarters of 2024/25 when compared with the same period in 2023/24. Exhibit 3 details scheme patronage for the period and the reimbursements made.

Exhibit 3
Scheme patronage and reimbursement

Table 1: Concessionary Patronage for 2024/2025 Quarter 1 to Quarter 3

Patronage (millions)		
Mode	**2024/2025 Q1-Q3**	**Change vs. 2023/2024 Q1-Q3**
Rail	3.28	+26 %
Ferry	0.46	+10%
Subway	0.77	+6%
TOTAL	**4.51**	**+20%**

Table 2: Concessionary Reimbursement for 2024/2025 Quarter 1 to Quarter 3

Reimbursement (£millions)		
Mode	**2024/2025 Q1-Q3**	**Change vs. 2023/2024 Q1-Q3**
Rail	2.74	+30%
Ferry	0.88	+12%
Subway	0.31	+17%
TOTAL	**3.93**	**+24%**

Source: Strathclyde Concessionary Travel Scheme Joint Committee, 14 March 2025, Agenda Item 7

37. There was an overall increase of 20% for concessionary patronage when compared with the prior year. This can be attributed, in part, to ScotRail's removal of peak rail fares pilot which ran from October 2023 to September 2024.

38. Scheme reimbursement increased by 24% when compared with the prior year. This reflects the increased patronage levels.

New concessionary fare structure was introduced in April 2025

39. A new concessionary fare structure was introduced in April 2025, which increases the majority of concessionary fares. The increased fares were first considered by SCTS Joint Committee in 2021 due to ongoing financial pressures which are not sustainable with the previous structure.

40. The new structure moves from the previous basic concessionary fare, to a new 'half-fare with cap' structure. A fare cap applies to ferry and rural rail services to minimise the impact of increases on these 'rural lifeline' routes.

41. In the lead up to the fare increase, SCTS was in correspondence with participating transport operators, and updates were shared on Strathclyde Partnership for Transport's social media and other media channels to raise awareness of the change.

42. The impact of the fare increases on travel demand and operator reimbursement levels will be monitored by officers at SCTS. We will also review payments to operators as part of our standard annual audit reporting procedures.

The 2025/26 budget is currently £3.752 million

43. The 2025/26 budget was approved at the March 2025 meeting of the Joint Committee and was set at £3.752 million. This is to be funded by £4.178 million of local authority requisitions (2.04% increase on 2024/25) and will allow a transfer to reserves of £0.427 million.

44. The reserve balance is forecast to increase to £4.266 million at the end of financial year 2025/26.

45. A long-term financial forecast for the next ten 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 2027/28.

At the March 2025, an updated ten-year forecast was prepared. With the implementation of the new concessionary fare structure, SCTS has more financial sustainability with reserves being sustained until the end of financial year 2032/33.

Registers of Interests

46. Members of Joint Committees are required to record registers of interests, a public record of interests that might, by their nature, be likely to conflict with a members' role. Members of SCTS record any interests that could impact on their role, in the register of interests for the local authority which they represent rather than in a separate SCTS register.

47. In addition, a 'declaration of interests' is a standing item at meetings of the SCTS Joint Committee, whereby all members are requested to declare any interests that could impact on their ability to conduct their role on the SCTS Joint Committee. The impact on any Joint Committee discussions of any declarations made is then considered by the Chair.

Effective systems of internal control operated during 2024/25

48. 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.

49. 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.

50. 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 SCTS's annual accounts.

Conclusion on Best Value

51. The audit work performed on the arrangements the body has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- Detailed reviews of the scheme being consisted by the Joint Committee to identify how to best address SCTS's objectives and ensure its financial sustainability.
- The SCTS Joint Committee requires regular updates showing the latest performance and reimbursement costs of the scheme.
- the arrangements the body has in place to secure financial sustainability which help ensure the effective use of available resources.
- progress the body is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Appendix 1

Action plan 2024/25

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Registers of Interests 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. **Risk**: Members interests are not identified and the Joint Committee does not comply with the requirements of IAS 24 Related Party Disclosures.	**Recommendation**: Register of interests for all members should be complete. Management should issue an annual reminder at a minimum for members to review their individual registers. **Agreed action**: This was an oversight. Reminders have since been issued and will be issued annually going forward. **Responsible officer**: Senior Solicitor. **Agreed date**: Complete	**Complete** SCTS has reviewed the agreed action and confirmed that the process for recording register of interests is different than that in place for SPT due to the nature of the membership of SCTS Joint Committee being local authority members. Declaration of interests is a standing item at meetings of the SCTS Joint Committee. Members are required to complete registers of interests with the local authority that they represent rather than in a separate SCTS register.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Strathclyde Concessionary Travel Scheme Joint Committee

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