

**A REPORT BY THE CONTROLLER OF AUDIT TO THE ACCOUNTS COMMISSION
UNDER SECTION 102(1) OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973**

**STRATHCLYDE PARTNERSHIP FOR TRANSPORT
INVESTIGATION OF EXPENSES AND OTHER MATTERS**

Introduction and background

1. Strathclyde Partnership for Transport (SPT) is the largest of the seven Regional Transport Partnerships established by the Transport (Scotland) Act 2005. SPT plans and delivers transport across the west of Scotland, in conjunction with local councils and its partners. Its responsibilities include operating the Glasgow subway, working with councils to organise school transport, concessionary travel and maintaining bus shelters, bus stations and travel centres. SPT consists of 20 elected members (who represent the 12 constituent councils) and between seven and nine appointed members. It spends around £100 million each year and employs about 700 people.
2. The provisions of Part VII of the Local Government (Scotland) Act 1973 apply to Transport Partnerships such as SPT, including the requirement for the Accounts Commission to appoint external auditors.
3. Following media reports of alleged misuse of public funds at SPT involving: travel and accommodation expenses incurred by senior individuals; the use of consultants; tendering arrangements for cleaning and other services; marketing expenditure; the management of a major capital project; and the use of a conference venue, SPT invited KPMG (the external auditors appointed by the Accounts Commission) to undertake a review. Subsequent to this and in response to correspondence received, Audit Scotland agreed the scope of the work with KPMG to ensure they covered all aspects of known public concern during their investigation.
4. KPMG completed their investigation in May 2010 and reported to SPT and Audit Scotland. The purpose of my report is to bring to the attention of the Accounts Commission and the public serious deficiencies in SPT's previous arrangements for managing, controlling and recording travel expenses and to summarise the action taken or proposed by SPT in response.
5. Some key individuals referred to in KPMG's report (SPT's former Chairman and former Vice-Chairman and the former Chief Executive and former Director of Communications) have left SPT.
6. SPT's internal auditors reported on travel and subsistence in April 2009 as part of their planned programme of audits. Among other points, internal audit highlighted the

need for greater value for money challenge and strengthening of authorisation controls. SPT has advised me that most of the actions arising from the internal audit work were addressed prior to KPMG's enquiries.

KPMG identified serious deficiencies in SPT's arrangements for monitoring, controlling and recording travel expenses. KPMG also identified scope for improvement in some of the other areas covered by their review.

7. The KPMG report is attached as an appendix. This report is already in the public domain and contains minor redactions by SPT to remove the names of some individuals not directly involved and the names of some suppliers.
8. I would highlight in particular the following points:
 - Use of corporate credit cards – of expenditure of £57,556 over a two year period between 2007 and 2009, 57% (£32,749) was not supported by receipts at the time of KPMG's investigation. However, KPMG noted that a number of the receipts that they were unable to locate were reviewed as part of the audit work leading to the internal audit report in April 2009 in which internal audit concluded that corporate credit cards were used in accordance with SPT policy and that expenditure was receipted. SPT management advised KPMG that an officer responsible for the administration of corporate credit cards shredded the receipts and other supporting documentation by mistake.
 - Overseas travel – KPMG's report notes that 17 countries were visited over a two year period between 2007 and 2009 and that this involved total expenditure of £57,243. Two visits, to New York (in November 2008) and India/Dubai (in October 2007), involved expenditure of £17,499 and £18,506 respectively and together accounted for more than half of the total overseas visit expenditure over the two years. These visits involved senior officers and elected members: New York - former Chief Executive; former Vice-Chairman and Vice-Chairman; India/Dubai - former Chief Executive; Assistant Chief Executive (operations); former Chairman; and former Vice-Chairman.

Overall, KPMG identified items which suggest there may have been some personal expenditure (as opposed to expenditure directly related to SPT's business) and/or excessive costs. In relation to the two visits highlighted (New York and India/Dubai) KPMG questioned whether it was necessary in each case for two elected members to be in attendance. In relation to the New York visit, KPMG found limited evidence that SPT received value for the level of expenditure incurred.

- Visit to Greater Manchester Passenger Transport Executive (GMPTTE) – this meeting, in May 2008, was attended by the former Vice-Chairman and the former Director of Communications. Evidence suggests that the visit was arranged to coincide with the UEFA cup final (this is disputed by the former Director of Communications); in the evening of the day of the meeting with GMPTTE the former Director of Communications attended the football match. There were also inaccuracies in expense claims, and the personal element of certain expenses was masked. KPMG concluded that the total amount incurred of £1,495 contained personal and excessive expenditure.

An internal review of the circumstances surrounding the meeting with GMPTTE was undertaken prior to KPMG's investigation. As a result, the former Director of Communications repaid £290.

9. KPMG also considered the allegations about the use of consultants, tendering arrangements, marketing expenditure, matters relating to a capital project and the use of an external conference venue. KPMG's report identifies scope for improvement in some areas.
10. Section 11 of KPMG's report (page 32 of the appendix) summarises their conclusions on each of the nine areas of their investigation. Section 12 of their report (page 34) sets out an action plan which contains seven recommendations. The action plan includes SPT management's response together with target dates and the officers responsible for implementation.
11. Management's response to recommendations on expenses states that where expenditure is confirmed as personal, an invoice will be raised for reimbursement to SPT. In relation to the visit to GMPTTE the action plan contains the same comment on recovery, where amounts have not already been reimbursed.

SPT has taken action to address the matters arising from the audit. The Police were informed and they will not be taking any action.

12. Having received KPMG's report, SPT convened a special meeting of its Audit and Standards Committee in June 2010. In accordance with its usual practice for committee papers, the KPMG report was published on SPT's website in advance of the meeting.
13. The minute of the meeting shows that the Committee approved the action plan set out in KPMG's report. The Committee also expressed concern at the lack of judgement exercised in respect of the visit to Manchester and some of the overseas travel referred to in KPMG's report.

14. In addition to KPMG's recommendations, the Committee agreed eight control actions for expenses and travel:

- All committee requests for approval of attendance at conferences and overseas visits will be accompanied with a business case, estimated costs for travel and accommodation, plus confirmation of any officer attendance.
- The Committee will receive regular reports on conference attendance and overseas travel, together with actual costs and information on whether or not feedback reports were completed.
- A best practice expenses policy for officers will be completed and considered by the Committee in autumn 2010 and this and senior officer expenses will be available on SPT's website.
- The Committee will review all senior officers' and members' expenses on an ongoing basis.
- Members' expenses guidelines will be revised to strengthen the expectation that public transport will be the preferred mode of travel, acknowledging flexibility is required in practice.
- Internal audit will review the document retention policy and report back to a future meeting of the Committee.
- Business class should not be the preferred method of air travel unless special circumstances dictate otherwise.
- The need for attendance at projected meetings will be reviewed in the light of any changing circumstances in the interim.

15. KPMG confirmed with SPT's chief internal auditor that a copy of the KPMG report was passed to the Police in June 2010, in accordance with SPT's established procedures for dealing with reports involving alleged fraud. Strathclyde Police assessed the content of the report and advised SPT in July 2010 that they were unable to identify any areas of criminal activity and as a result they would not be instigating enquiries.

16. SPT's Audit and Standards Committee met in September 2010 and received a report from management confirming that, of the seven recommendations in KPMG's report, six had been implemented with the remaining action (expense policy benchmarking) in progress. In terms of recovery of money, SPT management confirmed that £290 was repaid by the former Director of Communications in February 2010 in respect of personal expenses claimed for the GMPTE visit. In addition, following a further

review initiated by SPT, the former Chief Executive has repaid £1,350 in respect of amounts which another organisation had reimbursed to him directly; SPT had paid for travel on his behalf and so the money should have been reimbursed to SPT. KPMG will carry out a follow-up exercise on the action plan as part of their 2010/11 audit.

There have been changes in SPT membership and in senior management.

17. Following press reports that the former Chairman had stood down from his position at SPT on health grounds, his constituent council confirmed that a new representative would take his place. The former Vice-Chairman stood down in February 2010 and was subsequently replaced by his constituent council.
18. The former Chief Executive retired on ill-health grounds on 9 April 2010. Following this change, SPT took the opportunity to review its senior management structure and in May 2010 approved a new structure aimed at saving £180,000 annually. This new structure is now in place. Part of the restructuring involved reducing the number of Directors from eight to four. As a result the former Director of Communications left the organisation on 14 May 2010. These changes occurred in financial year 2010/11 and the terms under which senior officers left SPT will be considered by KPMG as part of their routine audit of that year's accounts.

Conclusion

19. The purpose of my report is to bring to the attention of the Accounts Commission and the public serious issues relating to travel expenses at SPT. In my opinion, these issues stemmed from a combination of culture, process and behaviours, particularly among some of the most senior officers and elected members in SPT at that time. While guidelines and processes were in the main followed, it is clear the expenditure in a number of cases would not meet the public's expectation of what is an acceptable use of public money.
20. I am particularly concerned that documentation to support expenditure incurred using corporate credit cards was not retained and about the amounts spent on overseas travel. There are questions about whether elements of overseas expenditure represented value for public money, including the visit to New York which involved senior figures in SPT who were in my view responsible for setting an appropriate tone and culture for how public money should be used.
21. The evidence leads me to the conclusion that the visit to the Greater Manchester Passenger Transport Executive was arranged to coincide with a sporting event. The related travel and accommodation arrangements were geared towards facilitating

attendance at that event as opposed to any strong business reasons. That is an unacceptable use of public money. I agree with KPMG's conclusion that there is an argument that all expenses associated with the visit should be repaid. I would encourage SPT to seek to recover the balance of the full cost of the trip ie £1,205 (expenditure incurred of £1,495 less £290 repaid by the former Director of Communications).

22. It is clear that SPT has taken this matter seriously, through its own investigations and in its open and constructive approach to enquiries by its external auditors and me. The actions listed by SPT appear appropriate and KPMG will be reviewing how effective these actions are in practice as part of their 2010/11 audit.

FRASER McKINLAY
CONTROLLER OF AUDIT
27 October 2010

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Strathclyde Partnership for Transport

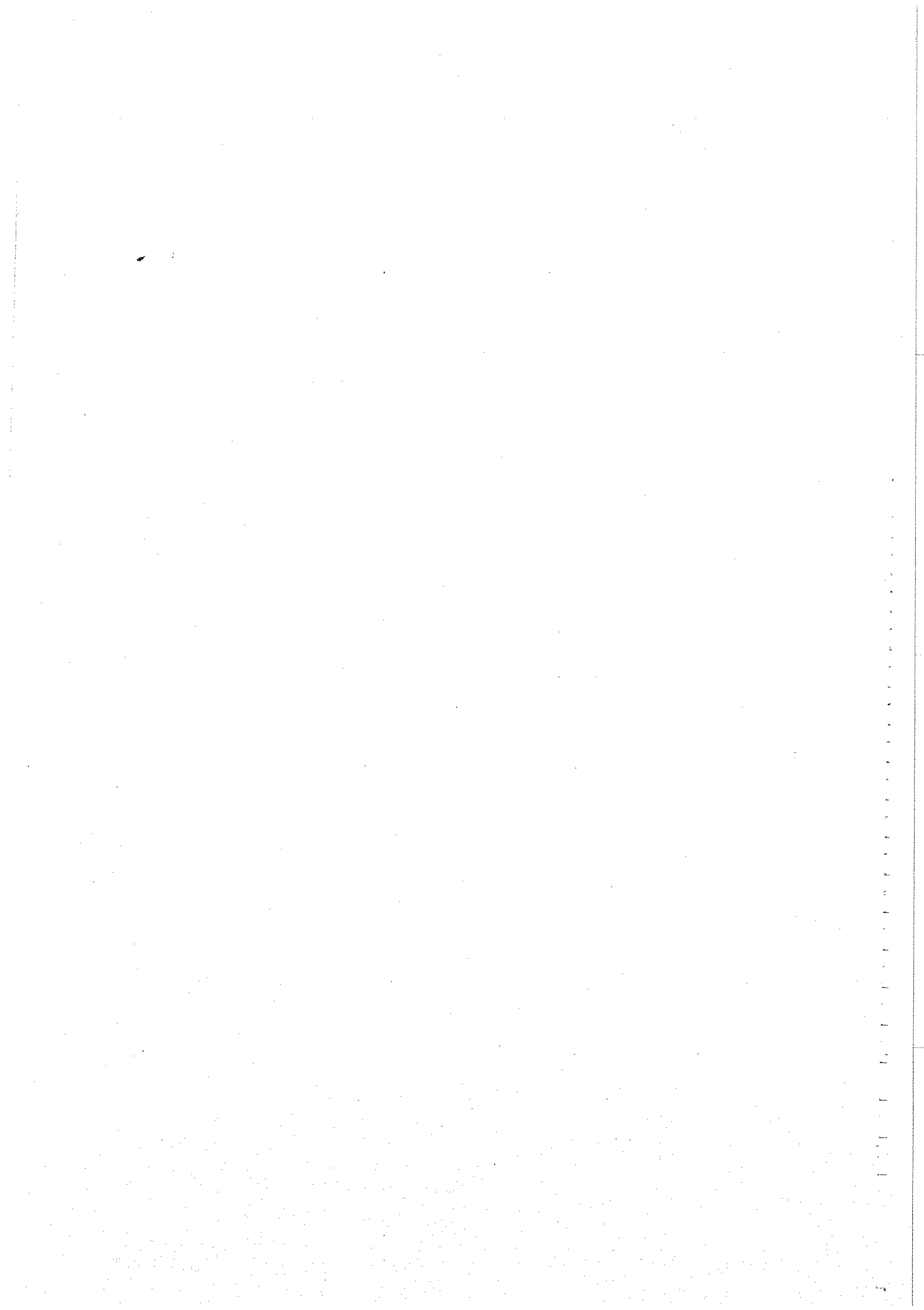
27 May 2010

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Appendix



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Page

Section 1: Background

2

Section 2: Review of expense claims

4

Section 3: Overseas travel

9

Section 4: Visit to Greater Manchester Passenger Transport Executive

14

Section 5: Use of consultants

19

Section 6: Tendering arrangements – cleaning

23

Section 7: Tendering arrangements – flowers

26

Section 8: Marketing expenses

27

Section 9: Partick interchange

30

Section 10: Use of external conference venue

31

Section 11: Conclusions and recommendations

32

Section 12: Action plan

34

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is for the benefit of Strathclyde Partnership for Transport and is made available to the Accounts Commission and Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report for any part of it does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Section 1: Background

Introduction

A number of complaints concerning Strathclyde Partnership for Transport ("SPT") have been widely reported in the press. The matters concern the alleged misuse of public funds by SPT and by certain employees and members. SPT conducted a review in respect of the reported complaints and also invited KPMG to conduct an external review. Subsequent to this, and in response to a number of formal complaints made to Audit Scotland, we were requested by Audit Scotland, as SPT's external auditors, to perform an independent review in respect of the formal complaints received by Audit Scotland.

Strathclyde Partnership for Transport

SPT was established by the Transport (Scotland) Act 2005 which created Scotland's seven Regional Transport Partnerships ("RTPs"). SPT is the largest of the seven regional transport partnerships in Scotland.

SPT's role involves planning and delivering transport solutions for all modes of transport across the west of Scotland, in conjunction with member councils and industry partners. SPT's responsibilities include, but are not limited to, the Glasgow subway, working with local education authorities to organise the 'biggest school run in Scotland', concessionary travel, integrated travel solutions such as the zone card and maintaining bus stops, bus shelters, several bus stations and travel centres. SPT employs approximately 700 people and is made up of 12 constituent local authorities represented by local councillors.

SPT's governing body, known as the Partnership, consists of 20 elected members representing the 12 constituent local authorities in the west of Scotland and between seven and nine appointed members. Of the elected members, there are three principal members, being the chairman and two vice-chairmen. These principal members work closely on a regular basis with the executive management team of SPT.

Our review

The complaints concern excessive travel and accommodation expenses incurred by senior individuals, expenditure which is not in line with public sector rules on tendering, and unnecessary and excessive expenditure in a number of other areas. We agreed with Audit Scotland a scope of work to investigate the complaints. The work we performed and our findings are set out in detail in the following sections of our report:

- Section 3: Overseas travel;
- Section 4: Visit to Greater Manchester Passenger Transport Executive;
- Section 5: Use of consultants;
- Section 6: Tendering arrangements – cleaning;
- Section 7: Tendering arrangements – flowers;
- Section 8: Marketing expenditure;
- Section 9: Patrick interchange; and
- Section 10: Use of external conference venue.

In addition to the investigation of the specific complaints we have tested, on a sample basis, expenses claimed by directors and members. Our work in this respect is set out in section two of the report.

Section 1: Background (continued)

Programme of work

We commenced work at SPT on 22 February 2010. The assistant chief executive (business support) and the director of finance have been our primary contacts during our work and they have ensured that our information requests were addressed promptly. They also liaised with a number of employees to ensure they were available to speak to us. In the course of our review we received information and assistance from:

- Gordon MacLennan, chief executive;
- Valerie Davidson – assistant chief executive (business support);
- Neil Wylie – director of finance;
- Charlie Hoskins – director of projects;
- Bob Wylie – former director of communications;
- Owen Hendry – chief internal auditor;
- [REDACTED] – procurement officer;
- [REDACTED] – marketing manager;
- [REDACTED] – operations manager / service delivery; and
- [REDACTED] – subway support manager.

Basis of information

The content of this report is based on information provided to KPMG by SPT. Although, where appropriate, supporting evidence has been sought, we have not audited or otherwise verified information contained in this report except where indicated. This work does not constitute an audit and does not provide the same level of assurance as an audit. The verification performed is as stated in our report and no other verification should be inferred.

This report sets out the findings of our work up to 27 May 2010. If additional relevant information becomes available subsequent to the date of this report, we reserve the right to alter the report and its conclusions.

Acknowledgement

We wish to place on record our appreciation of the co-operation and assistance extended to us by all staff during the conduct of this review.

Section 2: Review of expense claims

Introduction

In this section we consider the personal expenses of directors and members and we set out the results of testing (on a sample basis) of whether expenses were claimed in accordance with SPT's expenses policy. SPT's expenses policy is set out in the *Scheme of Travelling and Subsistence Allowance* dated 12 March 2007. The travel element of this policy was subsequently updated and the travel policy is now reflected in the *Travel Manual and Guidelines* dated 24 July 2009.

Work performed

Our agreed scope of work was to:

- obtain an analysis of expenses claimed by directors and members;
- identify outliers and obtain an understanding of the reasons for these outliers;
- on a sample basis, substantively review directors' and members' expense claims against the extant expenses policy; and
- on a sample basis, substantively review directors' and members' expense claims to confirm that they were accompanied by supporting receipts.

Expense policy

We reviewed directors' and members' expenses between April 2007 and March 2009. During this period the *Scheme of Travelling and Subsistence Allowance* ("Expenses Policy") was in effect.

The Expenses Policy states that "actual expenses reasonably incurred by an officer which relates to the business of SPT" will be reimbursed. The decision as to what is deemed reasonable "will lie with the officer responsible for authorising the claim". Authorised claims are subject to review by internal audit and "receipts should be obtained".

The Expenses Policy is not prescriptive and the primary control appears to be that expenses will be challenged as being reasonable by the officer who authorises the expense form.

We note that following an internal review by SPT in 2009, details of members' and directors' expenses are now summarised and posted on SPT's website.

Expenses which relate to the business of SPT are incurred either on corporate credit cards or through claiming 'out of pocket' expenses. In this section we summarise our findings following our review of corporate credit card statements (for six corporate credit cards) over the period April 2007 to March 2009. In addition, we reviewed a sample of 'out of pocket' expenses incurred by staff and members over the same period.

Corporate credit cards

SPT's internal auditors performed a review of corporate credit cards. The results of this review was reported as part of "Business Support Travel and Subsistence - April 2009" ("the Internal Audit Report"). The Internal Audit Report reviewed 11 corporate credit card statements over a seven month period (between May 2008 and November 2008, with total expenditure of £5,596). The review tested, on a sample basis, whether the statements were supported by receipts and authorised in the appropriate manner. A table setting out the results of this review is set out as follows:

Section 2: Review of expense claims

Table 1
Review of corporate credit card expenses

Date	Credit card holder	Amount £	Receipts
31 Oct 2008	Former director of communications	263	Yes
03 Dec 2008	Former chief executive	694	Part
04 Nov 2008	Assistant chief executive	370	Yes
27 Jun 2008	Former director of communications	1,172	Yes
11 Aug 2008	Former director of communications	46	Yes
28 Aug 2008	Assistant chief executive	30	Yes
02 Sep 2008	Assistant chief executive	181	Yes
02 Sep 2008	Former chief executive	1,463	Yes
04 Aug 2008	Former chief executive	309	Yes
03 Jun 2008	Former director of communications	538	Yes
03 Jun 2008	Former chief executive	530	Yes
Total		5,596	

Source: SPT internal audit report

The Internal Audit Report found that with one exception, corporate credit card usage was in accordance with the guidelines detailed in the financial regulations. The exception "arose from one transaction which should have been sourced through procurement".

Internal audit also highlighted that no supporting details were provided setting out reasons for business entertainment expenditure. However receipts were attached to support all expenditure, with the exception of one receipt for £205.

Analysis of corporate credit card expenditure

We reviewed corporate credit card expenditure incurred over the 24 month period between April 2007 and March 2009 of the six directors and one member (the former chairman). We identified that a number of corporate card statements were missing (no statements or receipts) and other statements had no receipts attached. This is contrary to the findings of the Internal Audit Report.

Table 2
Analysis of corporate credit card expenditure 2008-09 and 2007-08

Role	Expenditure £
Former chief executive	24,143
Former director of communications	8,961
Assistant chief executive (business support)	6,861
Assistant chief executive (operations)	10,538
Former assistant chief executive (transport and strategy)	3,031
Former chairman	429
Director of bus operations	3,593
Total	57,556

Source: KPMG analysis of documents provided by SPT

We were able to determine total corporate credit card expenditure, despite statements being missing, by making reference to summary corporate credit card statements (listing the total expenditure on all individual cards) and from missing statements subsequently obtained by SPT following the commencement of our review.

Section 2: Review of expense claims (continued)

The corporate credit card analysis shows that over the two year period, £57,556 of expenditure was incurred on corporate credit cards, of which approximately 57% (£32,749) was not supported by receipts at the time of our review. The majority of expenditure (outliers in value terms) related to overseas trips and restaurants.

We were advised by management that the receipts and other supporting documentation were shredded by the individual responsible for the administration of corporate credit cards, between the date of the internal audit report and when they left the organisation.

As a result, we were not able to confirm that all expenditure was receipted and authorised in accordance with the expenses policy. However, the Internal Audit Report found that corporate credit cards were used in accordance with the policy and that expenditure was receipted.

The Internal Audit Report recommended the strengthening of a number of travel and subsistence controls which cover the use of corporate credit cards. Internal audit reported to a recent audit and standards committee that these matters have been addressed by management and arrangements now include greater value for money challenge and strengthening of authorisation controls.

Management has confirmed that they have strengthened their administration arrangements in respect of corporate credit cards to ensure that receipts and supporting documentation are retained for a longer period.

Out of pocket expenses - members

We reviewed 'out of pocket' expenses for members in 2007-08 and 2008-09, based on a summary analysis provided by SPT. The total amount claimed on travel and subsistence during this period was £21,390. Members are required to certify that they have not claimed 'out of pocket' expenses which have also been reclaimed from their constituent council.

Table 6:

Analysis of members' expenses 2007-08 and 2008-09 - out of pocket claims

	Mileage allowance £	Travel expenses £	Subsistence £	Total £
Former vice-chairman	10,123	618	1,332	12,073
Former chairman	6,681	(394)	645	6,932
Vice-chairman	1,218	450	161	1,829
Member	181	77	-	258
Member	109	12	12	133
Member	59	44	-	103
Member	12	5	-	17
Member	15	2	-	17
Member	5	-	12	17
Member	11	-	-	11
	18,414	814	2,162	21,390

Source: KPMG analysis of documents provided by SPT

The highest values claimed relate to mileage claims submitted by the former chairman and former vice-chairman who claimed £6,681 and £10,123, respectively. We understand that the former chairman and former vice-chairman had additional duties over and above the other members and on that basis we would expect their claims to be higher.

Section 2: Review of expense claims (continued)

We examined the former vice-chairman's mileage expenses of £10,123 and found that there were a significant number of long distance trips. We noted that the former vice-chairman claimed mileage for trips to London, Liverpool, Birmingham and Leeds for meetings (including CTI ("Channel Tunnel Initiative") and SIG ("Special Interest Group") meetings). We tested two months claims for the former chairman and former vice-chairman and the forms were completed and authorised in accordance with the Expenses Policy. The former vice-chairman submitted a number of mileage claims of approximately £400 for CTI meetings in London. While recognising that it is within the remit of SPT to participate in national transport planning matters, it is not clear from the level of limited formal feedback of the benefits to SPT of participation in these fora.

Out of pocket expenses - directors

We reviewed directors' 'out of pocket' expenses, claimed through the payroll system in 2007-08 and 2008-09.

Table 4:
Analysis of directors' expenses - 2007-08 and 2008-09

	Subsistence		Travel		Mileage		Misc. expenses		Total
	£	£	£	£	£	£	£	£	
Director of bus operations	1,099	501	1,471			464		3,535	
Former director of communications	788	371	819			642		2,620	
Former chief executive	56	1,194	1,038			261		2,549	
Director of policy and strategy	110	182	590			720		1,602	
Assistant chief executive (business support)	505	250	136			545		1,436	
Director of property and asset management	239	34	-			1,019		1,292	
Director of policy	157	279	148			195		779	
Director of finance	12	130	44			587		773	
Director of subway	149	-	-			551		700	
Director of projects	-	58	33			582		673	
Director of HR	33	24	170			238		465	
Assistant chief executive (operations)	39	80	70			207		396	
	3,187	3,103	4,519			6,011		16,820	

Source: KPMG analysis of documents provided by SPT

The amounts claimed as 'out of pocket' expenses are significantly less than the amounts charged to corporate credit cards. An average £700 was claimed per person each year during the two year period. In our view, none of the directors claimed an excessive amount of personal expenses during the period of our review.

Section 2: Review of expense claims (continued)

We tested these directors' 'out of pocket' expenses for two months and found all to be authorised appropriately in accordance with the Expenses Policy and supported by receipts.

Conclusion

We tested controls surrounding the use of corporate credit cards and 'out of pocket' expenses for directors and members.

The majority of the total value of members' 'out of pocket' expenses related to mileage claims submitted by the former chairman and former vice-chairman. We tested a sample of these mileage claims and found the claims to be authorised in accordance with the Expenses Policy. However, there were significant mileage claims submitted by the former vice-chairman for meetings with organisations where there is limited formal feedback to SPT on the matters considered at these meetings. In addition, public transport may have been a more cost effective and appropriate way to travel.

Our testing confirmed that controls over 'out of pocket' expenses of directors are operating effectively. Our review found that receipts are retained and that expense claim forms were authorised appropriately. The total sums claimed by directors through 'out of pocket' expenses is relatively low, presumably due to corporate credit cards being the primary method for incurring business expenditure.

Over £32,000 of expenditure on corporate credit cards was not receipted and supporting documentation, including statements were found to be missing at the time of our review. As a result the scope of our review of corporate credit card expenditure was limited. SPT has subsequently strengthened administration controls over corporate credit cards to ensure that receipts and supporting documentation are retained.

We noted that a number of receipts which we were not able to locate were reviewed as part of the Internal Audit Report. The Internal Audit Report concluded that corporate credit card expenditure had been made in accordance with the relevant travel policies.

We were advised by management that the receipts and other supporting documentation were shredded by the individual responsible for the administration of corporate credit cards, between the date of the internal audit report and when they left the organisation.

SPT's Internal Audit Report made a number of recommendations to strengthen controls in respect of travel and subsistence expenditure which have been implemented by management.

Recommendations one & two

Section 3: Overseas travel

Complaint

The complaint alleges that the amount of expenditure incurred by SPT on overseas travel is excessive, both in terms of the necessity of the travel, the individuals involved and the length of individual trips with reference to the length of the formal business element of the trips.

Work performed

Our agreed scope of work was to:

- Review an analysis of overseas travel, sample test the main components of expenditure (flights, accommodation, taxi etc) and document the reasons and business functions that the business element of the trips comprised.
- Review for a sample of trips the reports / outputs and justifications for the trips.
- Sample test and document, from available information, that the business element of the trip was significant and covered the duration of the trip.

Summary of overseas trips

We were provided with an analysis of expenditure on overseas travel ("the Analysis") showing, for each trip, the expenditure incurred in respect of flights, accommodation and expenses. A summary of this analysis, showing the total expenditure for each trip, is set out opposite.

Table 5:
Overseas trips in 2007-08 and 2008-09

Date of travel	Country/city visited	£
17-26/10/07	India/Dubai	18,506
15-21/11/08	New York	17,499
06-12/09/08	Canada	3,544
22-28/04/08	Russia	3,036
13-18/06/07	China	2,603
28-30/01/08	Germany	1,863
09 - 11/4/08	Italy	1,448
01-03/04/08	Prague	1,448
07-12/12/07	Oslo/Stockholm	1,288
08-09/09/08	Denmark	1,062
08-13/12/08	Oslo/Stockholm	958
28-30/04/08	Spain	911
28/30/11/08	Italy	674
16-19/10/08	Italy	644
12-13/12/07	Belgium	512
10-11/09/07	Italy	420
20-25/05/07	Finland	269
30/10/2008	Austria	256
14-15/10/08	Ireland	164
10-11/11/08	Ireland	138
Total		57,243

Source: Strathclyde Partnership for Transport

Section 3: Overseas travel (continued)

A total of 17 countries (including Canada, India, USA, Russia, UAE and a number of European countries) were visited in 20 overseas trips. The total expenditure incurred on these trips during financial years 2007-08 and 2008-09 was £57,243. We have been advised that many of the trips were made to gain an insight into best practice transport systems. The operation of modern subway systems was particularly important given the ongoing development of plans to modernise the Glasgow subway system.

The former chief executive and assistant chief executive (operations) travelled on ten and nine overseas trips, respectively. No other SPT members or officers travelled on more than three trips. The table below shows the individuals who travelled on the various trips during 2007-08 and 2008-09 and the associated total costs.

Table 6:
Analysis of overseas trips

	Former chief executive (operations)	Assistant chief executive (operations)	Vice chair.	Director of bus ops.	Former chairman	Former vice chairman	Others
Austria		Denmark	Canada	Germany	India/Dubai	India/Dubai	Belgium
India/Dubai		India/Dubai	New York	Italy	Italy	New York	China
Ireland				Italy			Canada
Ireland		Italy					Denmark
Italy		Italy					Rome, Italy
Spain		Spain					Finland
New York		Germany					Germany
Oslo/Stockholm		Oslo/Stockholm					
Prague		Prague					
Russia		Russia					
14,991	9,877	7,606	1,144	4,963	10,572	8,090	

Source: Stratheclyde Partnership for Transport

Current policies and procedures require the chief executive to approve overseas travel for staff. Overseas travel for members requires approval by the Partnership. For a sample of overseas trips we tested that the appropriate authorisations had been obtained and found in all cases compliance with current policies and procedures.

We were advised that the assistant chief executive (operations), who attended nine overseas trips, is the project sponsor of the subway modernisation programme and chairs the subway modernisation board. Going forward, it may be more beneficial for those tasked with developing detailed modernisation plans to participate in any overseas trips to learn lessons, rather than receiving summary information second hand from senior staff members with a range of other responsibilities.

Two of the overseas trips accounted for more than 50% of the total expenditure incurred on overseas trips during the period. These trips were to New York and India / Dubai. Total expenditure incurred on these trips was £17,499 and £18,506, respectively. We reviewed each of the trips in more detail.

New York

The former chief executive organised the trip to New York to attend the World Congress on Intelligent Transport in November 2008. The vice-chairmen's attendance at this conference was approved by the Partnership. The former chief executive authorised his own attendance which is in accordance with SPT's policies and procedures. An analysis of the major categories of expenditure incurred on the New York trip is set out below:



Section 3: Overseas travel (continued)

Table 7:
Analysis of New York expenditure

	Flights £	Hotel £	Expenses £	Course fees £	Total £
Former chief executive	2,614	1,665	783	595	5,657
Vice-chairman	2,614	1,645	783	854	5,896
Former Vice-chairman	2,614	1,695	783	854	5,946
Total cost	7,842	5,005	2,349	2,303	17,499

Source: Strathclyde Partnership for Transport

Note: £2,349 of expenses in the above table, including hospitality, has been allocated equally across all three attendees

Flights and accommodation

We reviewed receipts for flights and accommodation. The flights were booked with Continental Airlines (Glasgow to Newark - business class) and the hotel accommodation represented six nights at the Algonquin Hotel (at a rate of £273 per night). The conference costs for the three attendees totalled £2,303 which covered the cost of the conference and any additional conference trips which had been organised.

The Algonquin Hotel is a four star hotel which is located one mile from the venue for the conference. Although the room rate is high, it does not appear excessive, given that New York is a major city.

There is no guidance in the Expenses Policy¹ on the class of air travel permitted for staff and members. The only guidance is that the officer responsible for assessing the claim should determine if the expenses are reasonable. In our experience, it would not be unreasonable to permit business class travel on a flight between Glasgow and the USA, given the length of such a flight.

However, many organisations reduce overseas travel costs by using 'premium economy' tickets for inter-continental travel, particularly where the trip is to attend a conference rather than

directly on business matters. Premium economy travel provides increased room, but without the 'frills' of business class. We consider it likely that the cost of premium economy tickets would have been significantly lower than the cost incurred for these flights. We noted that those travelling on this trip left Glasgow on the morning of Saturday 15 November 2008, while conference registration did not commence until the afternoon of Sunday 16 November 2008.

We reviewed the itinerary for the New York trip and noted that the attendees appear to have had an additional free day in New York both before and after the conference. Details of the flight times and the conference start and finish times are included in the table below:

Table 8:
Chronology of flights and conference

Time	Date	Details
11.50	Saturday 15 Nov 2008	Attendees arrive at Newark airport
17.00	Sunday 16 Nov 2008	Registration for conference
15.30	Thursday 20 Nov 2008	Closing plenary at conference
19.45	Friday 21 Nov 2008	Flight departs Newark airport

Source: Strathclyde Partnership for Transport

It may have been possible to have arrived and departed on the days the conference began and ended, taking into account flight schedules, time differences and the benefit of flying business class. The accommodation and meal costs for the two additional days may therefore, in our opinion, have been avoidable. While the delegates were entitled to travel business class under SPT's expenses policy, consideration should be given, going forward, to travelling in a cheaper class of flights where circumstances permit.

¹ Scheme of Travelling and Subsistence Allowance

Section 3: Overseas travel (continued)

New York expenses

Additional expenditure of £2,349 incurred in New York was charged to the former chief executive's corporate credit card. No receipts were available for our review due to receipts being shredded by the individual responsible for the administration of corporate credit cards (see Section 2).

From a review of the details of the corporate credit card statement the expenses appear to relate to meal costs incurred in hotels and restaurants. This expenditure represents a cost in excess of around £100 per person per day for the seven day trip to New York. Management has advised that meals were not provided at the conference.

The largest single expense relates to \$905 (£621) in the Russian Tea Room, a restaurant in New York. We have been advised by management that the expenditure was for five attendees, including two senior executives from Stagecoach who had assisted significantly with site visits and time. The restaurant cost could be considered excessive, although it is not possible to comment further as the receipt was identified as missing during our corporate credit card review.

We also identified from a review of the former chief executive's corporate credit card statements that the first expense following the New York trip was a charge of £63.94 payable to Snapfish (an online photograph development company). The photograph development costs were charged to SPT.

Feedback from the visit

We requested details of the feedback provided from the attendees on the New York trip. We understand that no formal presentation was made to management or the Partnership, although an overseas travel form setting out the purpose of the visit and the key business benefits learned was prepared by the former chief executive. The feedback is limited and makes brief references to a bus station design, CCTV and ID cards.

Given that total expenditure of £17,499 was incurred on this trip, we question the value received by SPT from this expenditure. We also question whether it was necessary for two members to be in attendance on this trip.

India and Dubai

We have been advised that senior employees and members travelled to India and Dubai between 17-26 October 2007 to visit new metro systems in New Delhi and Dubai, manufacturers of rolling stock and to view transport arrangements for the 2010 New Delhi Commonwealth Games.

The total cost of the trip, based on the spreadsheet provided by management, was £13,505. From our review we identified additional expenditure (not included in the analysis originally provided to us) which resulted in the total cost for this trip increasing to £18,506 (India - £16,752, Dubai - £1,754). The Dubai costs represent £1,140 for accommodation and £614 for travel and subsistence for the three days in Dubai.

An analysis of the major expenses in respect of the India trip are set out below:

Table 9:
Analysis of India expenditure

	Flights £	Hotel Expenses £	Total £
Former chief executive	1,990	1,155	4,188
Assistant chief executive (operations)	1,990	1,155	4,188
Former chairman	1,990	1,155	4,188
Former vice-chairman	1,990	1,155	4,188
Total cost	7,960	4,620	16,752

Source: Straithclyde Partnership for Transport

The flight costs represent a return flight to Delhi, with a stop over in Dubai. The flights were booked through Clyde Travel and were receipted. Given the distance travelled, the cost of the flights do not appear unreasonably high.

Section 3: Overseas travel (continued)

Accommodation and other expenses

The accommodation and other expenses relating to the trip to India were booked through a [REDACTED] (" [REDACTED]"), based in Glasgow. We have been advised by management that [REDACTED] was the agent who set up the meetings with the government ministers in connection with the operation and development of the Delhi Metro.

[REDACTED] provided an invoice of £8,342 to SPT which was payable directly to himself. Hotel accommodation of £4,620 was supported by receipts for the Meridien Hotel in New Delhi.

[REDACTED] set out in his invoice further costs of £711 for transport, £2,146 for meals for delegates and guests and £865 for an "interpretation and facilitation fee". [REDACTED] details on his invoice that he was unable to provide any receipts for these costs due to the lack of receipts provided in India.

Itinerary

We requested details of the itinerary for the trip to India and Dubai. We were provided with an itinerary which set out the flight details of the India trip and made reference to a [REDACTED] Indian itinerary to follow". We were subsequently provided with details of the officials that the attendees met with in India and Dubai.

Feedback

Feedback was provided on 14 March 2008 by the assistant chief executive (operations) who presented to the Partnership the insights gained from the trip to Delhi and Dubai.

We note that, as with the New York trip, attendance on this visit was limited to senior executives and members. We question whether it was necessary for two members to also be in attendance on this trip.

Additional information received

During the course of this review we received additional information from management which suggests that there were additional costs of approximately £6,541 relating to overseas trips. The additional expenditure relates to costs, many of which are for accommodation (for example over £3,000 on the trip to Russia). The addition of these costs results in the total expenditure on overseas trips being £63,784.

Conclusion

We have identified items which suggest that there may have been some personal expenditure and / or excessive cost may have been incurred. Our review of corporate credit cards identified a number of missing receipts and missing costs which prevented us examining the overseas expenditure in detail. We also identified a potentially longer than necessary length of stay, paid for by SPT, on the New York trip, based on the evidence available.

We also question the role of the members on these two trips and, in respect of New York, we can find limited evidence that SPT has received value from the level of expenditure incurred.

In advance of our review, SPT had already identified (Internal Audit Report's findings) that there should be greater value for money challenge in relation to travel and subsistence expenses. SPT has strengthened travel and subsistence expense controls aimed at preventing excessive expenditure being incurred.

Consideration requires to be made by SPT whether repayments of expenses is required for any personal expenditure incurred on overseas trips. In addition, SPT should keep under review the strengthened travel and subsistence expense controls to ensure that they are operating effectively.

Recommendation two

Section 4: Visit to GMPTE

Complaint

In this section we set out the results of our work in relation to the expenses claimed by the former director of communications and the former vice-chairman on a trip to meet with Greater Manchester Passenger Transport Executive ("GMPTE"). The complaints to Audit Scotland allege that expenses claimed by directors and members were personal and related to the UEFA cup final held on the same day.

Scope of work

Our agreed scope of work was to review the expenses relating to the meeting with GMPTE. Our work involved examining all available information, discussing the trip with the former director of communications, and examining whether expenses claimed were personal and related to the UEFA cup final held on the same day.

Background

The former director of communications and the former vice-chairman visited Manchester to meet with GMPTE, travelling to Manchester on 13 May 2008, meeting with GMPTE on 14 May 2008 and returning from Manchester on 15 May 2008. The UEFA cup final between Glasgow Rangers and Zenit St Petersburg took place in Manchester on the evening of 14 May 2008.

The reason given for the meeting with GMPTE was to learn lessons in relation to the provision of transport from the Commonwealth Games in Manchester. We were advised by the former director of communications that this trip followed on from previous visits by SPT to GMPTE in February 2007 and December 2007 to discuss bus policy.

A hotel was booked in Chester (as a result of the lack of availability of accommodation in Manchester) for the former director of communications and the former vice-chairman for the evenings of 13 and 14 May 2008. Train tickets were originally booked for the trip, although they were subsequently cancelled as the former vice-chairman offered to drive.

The former vice-chairman collected the former director of communications (and the former director of communications" [REDACTED], who accompanied the former director of communications on the trip) and they travelled from Glasgow to Chester on 13 May 2008.

They stayed in the MacDonald Hotel in Chester and the following morning travelled to Manchester in a taxi for the meeting. The former director of communications and the former vice-chairman attended a meeting at GMPTE at 10 am (the former director of communications" [REDACTED] waited in reception). The meeting lasted for approximately one to one and a half hours.

After the meeting they all travelled to a restaurant in Manchester where they met up with friends of the former director of communications. The former director of communications and [REDACTED] attended the UEFA cup final and following the match they met up with the former vice-chairman and together took a taxi back to the hotel in Chester. The following day after lunch in the hotel, the former vice-chairman drove the former director of communications and [REDACTED] back to Glasgow.

A week after the meeting the former director of communications sent an email summary of the learning points from the meeting with GMPTE to the assistant chief executive (business support) and other senior members of SPT. We were advised by the former director of communications that following the visit additional reports were received from GMPTE on aspects of the Commonwealth Games. We have also been advised that the information received from GMPTE during and following the visit have been used to provide additional information to support decisions and discussions, including the home affairs select committee into Commonwealth games legacy funding.

Section 4: Visit to GMPTE (continued)

Findings from review of the visit GMPTE

Purpose of visit – setting up the meeting

The email correspondence in the table below sets out details of how the meeting was arranged.

Table 10
Correspondence – how the meeting was arranged

Date	Source document	Details of personnel and activities
24 April 2008	Email	Email from the former director of communications (on behalf of himself and the former chairman) to [REDACTED] at GMPTE requesting a meeting on 14 May 2008 to assist with Glasgow's staging of the 2014 Commonwealth games.
2 May 2008	Email	Reminder email sent from the former director of communications to [REDACTED]
9 May 2008	Email	Email from the director of communication stating that himself and the former vice-chairman would be attending the meeting.
9 May 2008	Email	Email from [REDACTED] stating that he is having difficulty arranging for key people at the time of the games to be able to attend the meeting, but he has arranged for some of his communication's team to meet with them and have a discussion about communications and the games experience, where possible.

Source: KPMG analysis of documents provided by SPT

The meeting was requested by the former director of communications through contacting [REDACTED] at GMPTE by email, requesting a meeting on the specific date of 14 May 2008. The former director of communications stated in his email that the former chairman had asked him try to organise a trip to Manchester. The email states that the purpose of the meeting would be to learn from GMPTE's experiences from hosting the Commonwealth Games to assist with Glasgow's staging of the 2014 Commonwealth Games.

The email sent on 24 April 2008 shows that the former director of communications offered the 14 May 2008 (the date of the UEFA cup final) as a suitable date for the meeting. He stated in his email in relation to the former chairman's diary "His diary is busy and the 14th is available so far".

We also noted that the initial email was sent on the date of the UEFA cup semi-finals, first leg. The reminder email was sent on the day after the UEFA cup finalists were known. The timing of these emails and the offer of the 14 May 2008 as a suitable date could be interpreted that the primary reason for the meeting may have been to be in Manchester on the date that the UEFA cup final was being held.

The possibility that the football match was the driver for the meeting is further confirmed when [REDACTED] replies to the former director of communications stating "I am having difficulty arranging for key people that were around at the time of the Games to join us on Wednesday. Never the less I and some of my communications team are expecting to meet with you at 10 am on Tuesday and we have put aside 1.5 hours to have a discussion about communications in general and the Games experience where possible".

The email from [REDACTED] suggests that the primary reason for holding the meeting (learning from their experience from hosting the Commonwealth Games) was unlikely to be achieved as key people were not available. Given this fact, in other circumstances one may have expected that the director of communication and the former vice-chairman would have rearranged the meeting to a more suitable date. We have been advised by the former director of communications that despite an indication by GMPTE that all of the key people were not available, some individuals working in the transport department of GMPTE attended the meeting.

Section 4: Visit to GMPTE (continued)

Chronology of the trip

A chronology of the activities and expenses for the meeting is set out below, showing the dates, timings and costs of each part of the Manchester trip.

Table 11: Chronology of trip to Manchester

Date	£ Source	Details of personnel and activities
13/05/08	- The former director of communications	Former vice-chairman collects the former director of communications and [redacted] drives to the MacDonald Hotel in Chester arriving late afternoon.
13/05/08	102 Receipt	"Late Food" - per bill.
13/05/08	48 Receipt	"Late Liquor" - per bill.
13/05/08	42 Receipt	"Late Wine" - per bill.
14/05/08	70 The former director of communications	Taxi takes former vice-chairman, the former director of communications and [redacted] from the hotel in Chester to GMPTE in Manchester arriving for the meeting at 10 am. The former director of communications [redacted] waits in reception during the meeting.
14/05/08	- The former director of communications	Travel to San Carlo restaurant where, during the course of the afternoon, they meet with the former director of communications [redacted] and a number of other people - no individuals from GMPTE attend the lunch/drinks although they were taken to the restaurant by an officer of GMPTE.
14/05/08	6 Receipt	2 Peroni at San Carlo restaurant (12.50 pm).
14/05/08	17 Receipt	4 Peroni, lemonade, orange (1.24 pm).
14/05/08	122 Receipt	The former director of communications advised us that this cost represented the cost of his and the former vice-chairman's (£61 per person) lunch and drinks only. The expenses of the other individuals were split between them. (5.25 pm).
14/05/08	- The former director of communications	The former director of communications and [redacted] attend UEFA cup final, former vice-chairman does not attend match.
14-15/05/08	120 The former director of communications	The former director of communications and [redacted] meet up with former vice-chairman and have difficulty obtaining a taxi (due to impact of trouble in Manchester after the match) eventually obtaining one close to midnight. The former director of communications advised us that the taxi took the three of them back to the hotel in Chester.
15/05/08	38 Receipt	Lunch - former vice-chairman, former director of communications and former director of communications [redacted].
22/05/08	- Email	Feedback from meeting in Manchester - summary of lessons learned by GMPTE from their involvement in the Commonwealth Games and their slide presentation (given at meeting on 15 May 2008) emailed by the former director of communications to the assistant chief executive (business support) and copied to a number of other senior officers.
	The former director of communications	Additional information received from GMPTE and used in presentations and briefings
		<i>Other expenses</i>
	13 Receipt	Sundry room charges
	328 Receipt	Hotel room charge (two nights - 13 and 14 May 2008).
	328 Receipt	Hotel room charge (two nights - 13 and 14 May 2008).
	261 Expenses claim	Car mileage - former vice-chairman - claimed after trip.
Total	1,495	

We have been advised by SPT that it is accepted practice for SPT officers to pay the 'out of pocket' expenses of members and then reclaim these expenses. In line with this practice, the former director of communications paid the 'out of pocket' expense of the former vice-chairman.

Section 4: Visit to GMPTE (continued)

Total expenses of £1,495 were incurred on the trip. The analysis of expenses is set out in the table below:

Table 12
Manchester expenditure by type

	Hotel		Drinks and food		Taxi	Mileage	Total
	£	£	£	£	£	£	
Totals	656	388	190	261	1,495		

Source: KPMG analysis of documents provided by SPT

We reviewed each category of expenditure in detail.

Hotel accommodation

The meeting with GMPTE was held from 10 am to approximately 11.30 am on 14 May 2008. Therefore it would be reasonable for the participants to travel the previous day to attend the meeting. However, it would also be reasonable to expect the attendees to have returned to Glasgow after a morning meeting if they had no further business related activities that day. Therefore the hotel cost of £328 (£164 per person) for the second night's accommodation should not have been charged to SPT.

Food and drink

The Expenses Policy has no guidelines on the value of expenditure allowed or expected for meals. The Expenses Policy relies on the approval of the expenses to decide whether the expenses are reasonable. However, some of the food and drink expenditure incurred by the former vice-chairman and former director of communications appears to be high. For example:

- 13 May 2008 – drink £90 (“£48 late liquor”, “£42 on late wine”); and
- 14 May 2008 – lunch and drinks after the meeting £145 (£6+£17+£122).

There is also a claim of £38 for lunch on 15 May 2008 which was incurred a full day after the business element of the trip had concluded.

Taxis

The former vice-chairman travelled from Glasgow to the hotel in Chester in his car on 13 May 2008. However, a decision was made not to use the car to travel to and from the meeting in Manchester on 14 May 2008.

The cost of taxis between Chester and Manchester was £190 for the return trip. At the time of writing the report we have no evidence to suggest why the former vice-chairman did not drive to and from Manchester.

Mileage

The mileage claim submitted by the former vice-chairman for the journey between Glasgow and Chester was authorised in accordance with the Expenses Policy. We were also advised by the former director of communications that permission to drive to the meeting had been received from the former chief executive.

Expense form

The former director of communications and the former vice-chairman both submitted expense forms for the trip. The former vice-chairman submitted a claim for mileage while the former director of communications' claim included the 'out of pocket' expenditure incurred by himself and the former vice-chairman.

There are a number of inaccuracies on the expense form submitted by the former director of communications. These include:

- The expenses form makes reference to certain GMPTE staff members being in attendance during lunch on 14 May 2008. The entries are as follows:
 - “14 May 2008 – drinks with the former vice-chairman and GMPTE () - £16.55;
 - 14 May 2008 – lunch with GMPTE () and the vice-chairman - £122.27”.

Section 4: Visit to GMPTE (continued)

We were advised by the former director of communications that no member of GMPTE staff attended the lunch and drinks. The former director of communications stated that he made errors on his expense claim. In addition, the former director of communications' [redacted] incurred costs for meals which were included in the sum claimed as business expenses.

Additionally, the former director of communications' claim includes £205.25 representing "lunches 13/05, dinner 13/05, dinner 14/05 and telephones". We requested details of expenditure at the hotel in Chester which were obtained by the former director of communications. The expenditure actually related to "late food and wine / liquor" of £102 and £90 respectively, and also sundry telephone call costs, all of which were charged on 13 May 2008. Therefore, none of the cost related to lunch on either 13 May or 14 May 2008.

The expense claim submitted by the former director of communications was approved by the assistant chief executive (business support).

Former chairman's expenses

We have been advised by the former director of communications that the former chairman attended the UEFA cup final, but did not attend the meeting with GMPTE. We have not identified any expense claims for the former chairman relating to a trip to Manchester on 14 May 2008.

The former chairman submitted two mileage claims around the date of the UEFA cup final. A claim was made on the 13 May 2008 and also on the 15 May 2008. We have been advised that the mileage claims were for other SPT business that the former chairman performed.

Conclusion

Personal and excessive expenditure has been incurred on this trip and this should be repaid, to the extent monies have not already been repaid.

The evidence suggests that this trip was arranged to coincide with the UEFA cup final, although this is disputed by the former director of communications.

The expense claims submitted by the former director of communications (for his and the former vice chairman's 'out of pocket' expenses) masks the personal element of certain expenses, as a result of inaccuracies in the expense form submitted. It could be argued that the entire expenses associated with this trip should be repaid.

Recommendations two & three

Section 5: Use of consultants

Complaint

The complaint alleges that SPT inappropriately uses consultants in circumstances where there is duplication in terms of their work and where the scope of work relates to ideas which have no chance of coming to fruition.

Work performed

Our agreed scope of work was to:

- document the process and identify the key controls over the appointment of consultants, including consideration of procurement policies and procedures;
- confirm whether the appointment of consultants is subject to formal business case challenge;
- review the operational design of key controls identified above and on a sample basis test their operating effectiveness; and
- consider work undertaken by management to assess their approach against Audit Scotland's report, *Central government's use of consultancy services* ("the Report").

Appointment of consultants – policy

SPT policies require that all consultancy costs follow the same standard procedures as other significant expenditure. Therefore all purchases of consultancy services should follow the contract standing orders which form part of the Partnership's governance manual issued to all senior staff and members.

The contract and supplier tendering process requires that:

- For expenditure below £5,000, a purchase order is typically requested, although staff are encouraged to obtain three quotes.
- For expenditure between £5,000 and £20,000, it is expected that the requesting department will obtain three quotes in advance of any agreement to acquire the goods or services.

- Expenditure which is between £20,000 and £60,000 (over a period of 48 months), should be subject to advertisement and tender or, alternatively, the procurement department will agree three companies from whom to request quotes.
- Expenditure of between £60,000 and £140,000 should be subject to advertisement and tender.
- For expenditure over £140,000 (or the EU supplies and services tendering limit if less), the contract or consultancy should be subject to full EU tender processes.

At all levels, in particular circumstances, a request for single source supply may be completed. This request should detail the justification and authorisation for avoiding a wider tender or quotation request process. Possible justifications include the absence of sufficient numbers of appropriately qualified tenderers, protection of exclusive rights, design contest winners, extreme urgency and additional works / services following an initial agreement.

In addition, SPT has a design and technical services framework agreement ("Framework Agreement"). The contract standing orders specify that framework agreements must be used if in place, unless justification is made for not using them and provided to the chief procurement officer.

Section 5: Use of consultants (continued)

Work performed

We were provided by the director of finance an analysis of consultancy expenditure for 2007-08 and 2008-09. The analysis sets out details of the total cost incurred by supplier and by invoice / contract during this period. The total expenditure on consultants in 2007-08 and 2008-09 was £1,269,000 and £1,609,000, respectively. An analysis of the consultancy expenditure by area is set out in the table below.

Table 13: Analysis of consultancy spend		£000	£000
Areas of spend 2008-09			
Projects		836	
Subway (engineering)		390	
Bus operations		168	
Finance		95	
Policy and strategy		48	
Communications		41	
Security (health and safety)		17	
Technology solutions		12	
Human resources and organisational development		2	
			1,609
Areas of spend 2007-08			
Policy and strategy		802	
Subway (engineering)		233	
Technology solutions		133	
Projects		72	
Human resources and organisational development		12	
Finance		9	
Security (health and safety)		8	
			1,269

Source: KPMG analysis of documents provided by SPT

Assessment of approach against the Report

We reviewed the appointment of consultants and on a sample basis tested whether the approved procurement processes (as set out above) were being followed. We performed testing of a sample of supplies tendered, including consultancy and other areas and found that the approved procurement procedures were being followed.

The key recommendations within the Audit Scotland Report includes the need for public bodies to:

- Have clear processes for approving and recording the use of consultants and monitoring progress.
- Plan for the use of consultancy services within work programmes to ensure that consultants are used where their knowledge and skills bring greatest value for money.
- Evaluate options of using consultants against using own staff.
- Complete early scoping discussions with consultants to determine needs.
- Increase the use of framework agreements where possible.

We selected a sample of ten large consultancy supplies (totalling £1,380,341) across all of the major categories of consultancy spend and tested (through discussions with management and by reviewing available documentation) whether the use of consultants was in accordance with the recommendations in the Report.

The ten supplies we compared to the Report are set out in the table below.

Section 5: Use of consultants (continued)

Supplier	Area of spend	£
Faber Maunsell/Analysis Mason	Bus standard scoping study	111,106
MIRUK	Public opinion survey	20,600
Symbia	Procurement improvement	92,357
Various	SITLUM	180,560
MVA	West of Scotland public transport survey	474,890
Grant Thornton	Financial consultant on subway modernisation	113,115
Parsons Brinkerhoff	Subway modernisation engineering	128,913
DeltaRail	Subway power: car refurbishment	88,600
Hyder	Airwave project management	70,000
Westcastle Consulting	IT consultancy	100,800
		1,380,341

Source: Information provided by SPT

A brief summary of each of the consultancy supplies is included below.

Bus standard scoping study

The study was commissioned following the proposed retail development at Buchanan Street Bus Station. The study provided a formal, independent, response to press / public concern over bus concentration in the city centre and provided a baseline standard for bus stops to be shared with local authorities.

Public opinion survey

A survey was commissioned to obtain public opinion on the Glasgow subway service.

Procurement improvement

It was recognised that existing procurement procedures and policies required to be improved and consultants were engaged to recommend and implement procurement improvements.

SITLUM

The model which forecasts impact on demand of land and transport developments required to be re-baselined to improve accuracy and to realign regional zones with other SPT models.

West of Scotland public transport survey

The Regional Transport Strategy required planning in respect of strategic transport routes. No detailed statistical survey had been completed in a number of years.

Financial consultant on subway modernisation

A financial consultant prepared a formalised business case to set out the alternative options available on subway modernisation and to estimate the likely financial impact of each.

Subway modernisation engineering

As part of the subway modernisation programme specific engineering input was required over possible rolling stock options.

Subway power car refurbishment

As part of the subway modernisation programme costing options were obtained for the refurbishment of existing rolling stock.

Airwave project management

The project improved the emergency response in event of subway disaster or emergency. The project relates to ongoing work to ensure outside agencies, such as police and the fire service can utilise system if responding to a subway emergency.

IT consultancy

A previous report highlighted some significant deficiencies in IT (project management and governance) which required to be addressed.

Section 5: Use of consultants (continued)

Findings

We identified that the SPT has framework agreements and these were used frequently by departments. SPT advised us and provided documentation to show examples of early scoping of the needs of projects had been made with consultants. All contracts awarded in excess of £20,000 require to be reported to meetings of the Partnership for information.

While we were not able to find documented evidence to demonstrate that an in-house challenge had been performed in advance of appointing a consultant, management advised that in each case where a consultant was employed, there were insufficient skills or resources internally. The appointment of consultants was not generally set out in work programmes, but in response to specific needs on a project by project basis. Therefore, while there may have been an informal process to obtain best value from the use of consultants we were not able to see a formal documented process.

Conclusion

We found from our sample testing that the controls over the appointment and procurement of consultants were operating effectively. Management advised that the appointment of consultants is subject to a business challenge, although this is not always formally documented.

SPT's use of consultants is largely in accordance with the key recommendations set out in Audit Scotland's report, Central government's use of consultancy services. However, there are some recommendations in the report that require further consideration.

Recommendation four

Section 6: Tendering arrangements - cleaning

Complaint

The complaint alleges that a cleaning contract for subway trains is always awarded to a partner / wife of a member of staff of SPT's Govan offices.

Work performed

Our agreed scope of work was to investigate the complaint.

Findings

We were advised that a senior planner ("the senior planner") at the Broomloan depot in Govan was the partner of the owner of Claremont Cleaning ("Claremont"). Claremont provide *ad hoc* cleaning services to SPT. We were also advised that the senior planner would normally be involved in certain appointments (escalator cleaning) relating to *ad hoc* cleaning providers for SPT, but the senior planner had verbally informed his line manager of his relationship with Claremont and he was not involved in any procurement involving Claremont.

We requested details of companies used by SPT to perform cleaning services and the value of services they provided.

SPT has two large cleaning contracts, including; the Glasgow subway and Buchanan Street Bus Station which also includes a number of travel centres. The table below sets out details of the contractors who provided these services, together with the value of the services provided in 2007-08 and 2008-09.

Table 15:
Analysis of cleaning expenditure

	2008-09	2007-08
	£	£
[REDACTED]	805,576	689,336
[REDACTED]	339,902	301,606

Source: KPMG analysis of documents provided by SPT

In addition to these major suppliers, Claremont, Clark Cleaning Services ("CCS") and Smart Services ("Smart") all performed *ad hoc* cleaning services during the two year period reviewed.

Review of cleaning work awarded to Claremont

Claremont was awarded purchase orders for cleaning services, from August 2008 to February 2010, with a total value of £36,053. Claremont was not awarded all cleaning contracts in relation to subway trains. Claremont was unsuccessful with a number of their tenders with SPT, including the major cleaning contracts (as set out in the table opposite). That said, there are a small number of matters arising from our review.

We noted from our review of Claremont invoices that the company is a small Dundee based company providing cleaning services in Glasgow. We were advised that cleaning contracts were advertised nationally and that Claremont employs Glasgow based staff.

Set out below is a chronology of the cleaning services over £1,000 for which Claremont tendered. We discussed each of the cleaning services contracts with two representatives of SPT's Broomloan office, namely the operations manager for service and the subway support manager.

(August 2008 – February 2009) - Deep cleaning trials – Claremont awarded the work

We were advised by management that Claremont approached SPT with the offer of a 'dry clean' service they were trialling in the West of Scotland which offered less disruption than traditional 'wet' cleaning methods. Claremont was awarded three separate deep clean escalator trials at Shields Road, Hillhead and Govan subway stations, totalling £3,668, £4,590 and £1,772 over a six month period.

Section 6: Tendering arrangements – cleaning (continued)

These contracts were awarded to Claremont on a single source basis without other quotes being invited.

We were advised that the senior planner was not involved in the awarding of these contracts. From a review of the available documentation, the purchase requisition was raised by two individuals who would both be considered independent to the senior planner.

The individual contracts would not contravene existing protocols which do not require three quotes for suppliers below £5,000. However, if the contracts were grouped, the approved procedures would have been breached.

March 2009 - Deep clean tender (six escalators) – Claremont not awarded the contract

Following the deep clean trial, a tender process for the deep clean of six subway escalators was performed and bids were received from Claremont and Smart.

Smart was awarded the tender for £25,725 on the basis of their lower quotation, compared to that provided by Claremont. The Smart quotation suggests that the amount charged by Claremont for previously deep cleaning three escalators was reasonable as it amounted to £4,287 for each clean.

June 2009 – Tender for top-up cleaning services on underground for 30 weeks – Claremont awarded the work

SPT obtained three quotes, from Claremont, [redacted] and [redacted] for a 30 week cleaning contract. The table opposite sets out the quotations received from each of the organisations.

Table 16:
Analysis of quotations received

	£ Weekly value	£ Total contract value
Claremont	335	10,050
[redacted]	305	9,150
[redacted]	275	8,250

Source: KPMG analysis of documents provided by SPT

The Claremont quotation was accepted despite it being higher than the quotations provided by [redacted] (incumbents) and [redacted]. We were advised by the operations manager for service and the subway support manager that SPT had experienced poor cleaning performance from [redacted] and that SPT was concerned about future management changes at [redacted] (highlighted to SPT only after the tender process was in progress). As a result, Claremont was awarded the contract.

While a tender process was performed we would question the decision to select Claremont for this contract. If SPT had concerns over the services provided by [redacted] then we would question why [redacted] was one of the two other companies asked to tender. Quality issues should have prevented [redacted] being included on the tender list, rather than the issues being used as justification for not selecting them for the contract, even though their quotation was lower. We would also question whether citing management changes in [redacted] having a potential impact on the quality of cleaning services is reasonable. [redacted] is a large company which was already providing a significant amount of cleaning services to SPT to a satisfactory standard. While we acknowledge that many tender processes can be challenged with the benefit of hindsight, we still question the inclusion of [redacted] in the tender process and the rejection of [redacted].

We note that a planner who is line managed by the senior planner, raised the purchase requisition for this contract. We were advised by SPT that the planner was only involved in processing the purchase requisition.

Section 6: Tendering arrangements – cleaning (continued)

October 2009

High level Partick clean - £6,250 – Claremont not awarded the contract

Bids were received from Claremont and CCS. CCS was awarded the contract on the basis that they provided a lower quotation.

December 2009 – High level clean of Partick - £6,325 – Claremont was awarded the tender

Bids were received from Claremont and CCS. Claremont was awarded the contract on the basis that CCS had not provided full details in their quotation.

December 2009 – February 2010 – Various

There were three additional purchase orders issued to Claremont, all on a single source basis (i.e. no other quotations received). We were advised by SPT that the purchase orders related to variations to the 30 week contract due to operational needs:

- £1,428 – extra train cleaning;
- £2,053 – extra night shift train cleaning;
- £4,183 – various train car cleaning - sickness cover.

The train car cleaning appears to be related to the 30 week contract and we understand that an incorrect purchase order was raised for these services. However, our review found that further work is being provided to Claremont on a single source basis without other companies being considered.

Conclusion

Cleaning contracts were not always awarded to Claremont. Claremont was successful in some of their tenders and unsuccessful on others, including the tender for the major cleaning contracts.

We identified a small number of matters, which given the related party relationship, could be questioned. For example, the awarding of the 30 week cleaning contract where Claremont was successful, despite being the highest value and one of the alternative tenders included having performance issues.

In addition, there are a number of instances where Claremont was awarded small cleaning contracts without SPT requesting additional quotations. If the contracts were combined the value of supply would be above £5,000 and would require additional quotations to have been obtained.

However we acknowledge that if we were to review the selection process of any supplier over an 18 month period it is likely that questions could be raised over certain supplies, as supplier selection is a subjective process.

Recommendation five

Section 7: Tendering arrangements - flowers

Complaint

The complaint alleges that flowers were always purchased from a florist in Bothwell where a director's wife works.

Work performed

Our agreed scope of work was to investigate the complaint.

Related party

We were advised by SPT that the former director of communications is married to the owner of a flower shop ("Flowerscene") based in Bothwell, from which SPT purchased a small quantity of flowers.

Work performed

We requested an analysis of all expenditure, by supplier, incurred by SPT on flowers in 2007-08 and 2008-09. A summary of the total expenditure on flowers in each year is summarised below.

Table 17:
Analysis of flower expenditure

	2008-09	2007-08
	£	£
Blooms	2,157	1,818
Flowerscene	159	30

Source: KPMG analysis of documents provided by SPT

There were four separate orders of flowers from Flowerscene over the two year period. All purchases were made by members of the former director of communications" department. The invoices were generally approved by the marketing manager, a member of the former director of communications" team, although the former director of communications approved one of the purchases. Supporting documentation demonstrated that flowers were purchased to celebrate the birth of children or for bereavements.

We reviewed the former director of communications' corporate credit card statement and identified purchases of £70 and £40 from Flowerscene. We were advised by the former director of communications (and by other SPT directors) that the £70 flowers were provided to two staff members of Radio Clyde in recognition of the work they performed for SPT, by the former director of communication's' team.

Conclusion

The level of expenditure on flowers by the former director of communications and his team was not out of line with expectations, but some were from a related party.

Where unavoidable, staff involved in purchasing goods from a related party should formally disclose their interest in the related party. The director of finance confirmed that the former director of communications had advised him of the related party relationship, but this had not been formally documented. We understand that SPT has now revised its processes to ensure that all declared related party relationships are formally documented.

Recommendation five

Section 8: Marketing expenditure

Complaint

The complaint alleges that over £800,000 was incurred on marketing over two years, which is far in excess of other transport partnerships in Scotland. This indicates potential failure to use public money appropriately.

Scope of work

Our agreed scope of work was to:

- Review a detailed analysis of marketing and advertising expenditure in 2007-08 and 2008-09, summarise the expenditure by both supplier and type. For significant items of expenditure document the reasons for incurring the expenditure.
- For significant sums, consider management arrangements to evaluate the requirement for the expenditure and consider how procurement policies and procedures were applied.

Findings

Marketing and advertising expenditure is included within communication expenditure. The communication department was led by the former director of communications. We were advised that he is supported by a marketing manager, marketing officer, two graphic designers and two travel planning officers. The travel planning officers work with local councils, the NHS and businesses to provide travel plans for their staff and encourage the use of public transport.

The main areas of marketing spend within the Partnership covers:

- promoting "modal shift" – encouraging the switch to public transport;
- promoting the use of the subway; and
- commitment and sponsorship of events such as the Glasgow women's 10k race and the Clyde River Festival.

SPT is limited in its ability to measure the impact of its campaigns and investments as much of the expenditure is to encourage use

of public transport generally, rather than a particular mode of public transport, such as the underground.

Management advised that the communication budget includes the cost of developing advertisements, all media airtime, strategic campaigns, advertising space, travel planning, public affairs, media management and the creation and publication of leaflets, maps and signage.

Set out in the table below are details of communication expenditure summarised by type in both 2008-09 and 2007-08. The total expenditure in these years was £897,361 and £821,614, respectively.

Table 18:
Analysis of communication expenditure

	2008/09	2007/08
	£	£
Bard of the Subway	8,818	
Agency staff – marketing		20,064
Customer Service Development	40,264	13,000
Fees marketing	82,698	95,950
Market Research	51,356	18,576
Merchandising	8,455	8,758
Miscellaneous	8,070	4,236
PR Events and Launches	8,926	10,090
Public Affairs	126,482	128,960
Publications	62,534	31,001
Strategic Campaigns	393,698	359,511
Supplies Publicity & Mkt	2,950	2,230
Tactical Campaigns	78,520	102,530
Web analysis	24,590	26,708
Total	897,361	821,614

Source: KPMG analysis of documents provided by SPT

We have been advised that only £472,288 (£362,678: 2007-08) of this expenditure related to 'pure' marketing and advertising expenditure. However, for the purposes of our review we have considered all communication expenditure.

Section 8: Marketing expenditure (continued)

We identified the largest components of communication expenditure by supplier in 2008-09 and 2007-08 and discussed with the marketing team the reasons for the expenditure.

The Bridge - £343,260 (£379,108: 2007-08)

The Bridge was appointed as SPT's advertising agency following a full EU tender exercise in 2008. We were advised that the marketing manager, as a former employee of the Bridge, was excluded from all aspects of the tender, including evaluation.

The majority of expenditure with the Bridge represents payment for strategic modal shift campaign design and airtime, being TV advertising and advertising on the exterior of buses.

Bauer Radio / EMAP - £118,360 (£48,136: 2007-08)

Bauer Radio, formerly EMAP, expenditure represents the costs of the Partnership's sponsorship of Radio Clyde traffic and travel announcements.

Radio Clyde was chosen for sponsorship over other radio stations, such as Real Radio, since their broadcast area very closely matches the area covered by SPT.

In 2009-10, agreement was reached with Strathclyde Fire and Rescue to sponsor transport and travel segments in alternate weeks. This has resulted in the cost to the Partnership being halved from April 2009. The content of the sponsor messages is adjusted to reflect current SPT campaigns, such as modal shift or tactical campaigns to encourage use of the Glasgow subway.

Weber Shandwick - £82,687 (£84,860: 2007-08)

Weber Shandwick was SPT's public affairs consultant, organising communication with stakeholders, politicians and the media. They assist SPT in interventions in political party conferences and industry conferences. Management has advised that this expenditure was incurred at a time when the communications department was being established and has been significantly reduced in subsequent years.

Feather Brooksbank - £40,000 (£1,883: 2007-08)*

Feather Brooksbank are SPT's appointed media buyers, who buy airtime and advertising space in bulk and provide it at a reduced rate, compared to dealing with suppliers directly. The £40,000 expenditure in 2008-09 was in respect of a park and ride campaign and we were advised that this had a positive impact on the usage of park and ride facilities.

Pressdata - £21,886 (£13,076: 2007-08)

Pressdata provides statistics regarding SPT's occurrences in media including TV, press and radio. The statistics includes details on the nature of any comments and whether a SPT spokesperson responded. These reports are considered on a quarterly basis by SPT's committees.

Tendering procedures

We selected a sample of marketing supplies and reviewed these to determine whether the appropriate procurement procedures had been followed. We found that all marketing supplies tested were procured in accordance with the required procedures.

Comparison with other Regional Transport Partnerships

There are currently seven Regional Transport Partnerships ("RTP") in Scotland. Each RTP is required to disclose in their financial statements details of their total expenditure on publicity ("Expenditure on publicity"). Communication expenditure (including marketing and advertising) is included within publicity expenditure. Our analysis was prepared by comparing the "Expenditure on publicity" as set out in the latest available financial statements of the Scottish RTP's.

The size of the RTPs varies significantly and it would not be appropriate to compare publicity expenditure on an absolute basis. Therefore, in our analysis, we have expressed the publicity expenditure as a percentage of total expenditure and compared this across a sample of RTPs.

Section 8: Marketing expenditure (continued)

Table 19:
Analysis of publicity expenses

	Publicity expenses £000	Total expenditure £000	Marketing as percentage of total expenditure %
Strathclyde Partnership for Transport (SPT) ⁴	995	81,598	1%
South East of Scotland Transport Partnership (SESTRAN) ⁵	95	1,742	5%
North East of Scotland Transport Partnership (NESTRANS) ⁶	61	4,086	1%
Highlands and Islands Transport Partnership (HITRANS) ⁷	14	5,430	-
Tayside and Central Scotland Transport Partnership (TACTARN) ⁸	46	837	5%

Source: Latest financial statements available on each RTP's website

The table shows that SPT has significantly greater expenditure on publicity than the other Scottish RTP's. However, SPT also has significantly greater total expenditure than any other Scottish RTP. By expressing publicity expenditure as a percentage of total expenditure we found that SPT spends 1% of its total budget on publicity. In line with management's ongoing focus on securing Best Value, consideration should be given to reviewing the level of communications expenditure and the value of returns compared to the level of investment. There is no Scottish RTP which is of a comparable size to SPT.

Conclusion

We found that the majority of communication expenditure was incurred on promoting modal shift and promoting the use of the Glasgow subway. We tested a sample of communication expenditure and found that procurement policies and procedure had been followed.

By comparing the total publicity expenditure (being the best publicly available measure of communication and marketing expenditure) we found that the publicity expenditure at SPT is comparable with the publicity expenditure at other RTPs, if marketing expenditure is compared as a percentage of total expenditure. Management should complete additional analysis to consider this issue.

Recommendation six

⁴ Strathclyde Partnership for Transport - Financial statements for year ended 31 March 2009.

⁵ South East of Scotland Transport Partnership - Financial statements for year ended 31 March 2008

⁶ North East of Scotland Transport Partnership - Financial statements for year ended 31 March 2008

⁷ Highlands and Islands Transport Partnership - Financial statements for year ended 31 March 2007

⁸ Tayside and Central Scotland Transport Partnership - Financial statements for year ended 31 March 2009

Section 9: Partick interchange

Complaint

The complaint alleges that there was concern over the management of the Partick interchange project as a result of a £6 million overrun and the project suffering delays.

Scope of work

We identified and reported the £6 million overrun of the Partick interchange project as part of our 2008-09 external audit annual report. As such, our scope of work was limited to reviewing the work undertaken by management to complete a post implementation 'lessons learned' type review.

Findings

The Partick station development opened to the public on 15 March 2009. However, a contractors claim relating to the project (subject to two adjudications) resulted in a settlement of £14.8 million as the final contractor cost, compared with the original project budget of £12.3 million, which included a contractor cost of £9.8 million.

We discussed the project with the director of projects, who advised that the key lesson learned is that SPT will continue to support transport development through capital funding, but will not be responsible for project management and delivery of heavy rail projects of this type. SPT is unlikely to manage a project of this nature in future.

The director of projects advised that a formal lessons learned review will commence when the legal finalisation and hand-over of Partick station is completed.

A draft scope of the lessons learned review has been prepared. An external consultant will perform the review which will involve all parties who were part of the Partick redevelopment and is likely to commence in early summer 2010, following formal handover of the project to Network Rail.

Conclusion

SPT has recognised that there were difficulties in the implementation of the project from a collective viewpoint and has set up a process to allow all the parties to learn from the process and share the benefits going forward.

However, we were advised that informal lessons have been discussed, but that a formal review cannot be performed until the project has been handed over to Network Rail.

Recommendation seven

Section 10: Use of external conference venue

Complaint

The complaint alleges that £6,000 was spent on an SPT management conference at an external venue in 2007-08, which may not have represented a good use of taxpayer's money.

Scope of work

The agreed scope of work included reviewing documentation in relation to the management conference held at the MacDonald Crutherland House Hotel, East Kilbride (including individuals in attendance and the breakdown of the main components of expenditure). Obtaining an understanding of the reasons for holding the conference and the reasons for using an external venue.

Findings

A total cost of £5,644 (£4,826 plus VAT) was incurred on the SPT conference which is analysed in the table below.

Table 20 Analysis of conference expenses	
	£
Accommodation – 24 hour package	3,300
Day delegates – room hire etc	1,170
Beverages and soft drinks	503
Wine	332
Non arrival	150
Other sundry costs	189
Total	5,644

Source: KPMG analysis of documents provided by SPT

The conference was held over two days for the SPT leadership team with most delegates staying overnight at the hotel. The conference was focussed on the EFQM Excellence Model. EFQM is a widely-used business excellence framework, with organisations using the EFQM excellence model to improve performance.

We were provided with the detailed output from the conference, which included an evaluation of the current strengths. This included identification of the areas for improvement where SPT requires to do more to embed EFQM and how to move to a more constructive approach.

A total of 23 members of senior management attended the conference (22 staying overnight). The cost of the two day course per person was £245 (£209 plus VAT).

Costs for the conference would have been reduced by holding it at an alternative venue and by not providing overnight accommodation for delegates. The Beardmore Hotel and conference centre in Clydebank is a venue which is used often in the public sector and costs would likely have been lower if this venue had been utilised. However, we have been advised that the Crutherland Hotel was chosen because of the limited mobile telephone reception and the competitive cost. The Beardmore Hotel was used in 2008-09. We were also advised that overnight accommodation was provided at the conference to promote better team building.

Conclusion

We have reviewed the available documentation relating to the management conference held at the MacDonald Crutherland House Hotel and obtained an understanding of the reasons for holding the conference and the reasons for using an external venue. The total cost of the conference was £5,644 equating to an average cost for the 23 attendees of £245. The cost of the conference is not considered to be excessive based on the number and seniority of attendees.

Section 11: Conclusions

We have performed an independent review in response to a number of formal complaints made to Audit Scotland. These complaints concern excessive travel and accommodation expenses incurred by senior individuals, expenditure which is not in line with public sector rules on tendering, and unnecessary and excessive expenditure in a number of other areas.

Expense claims

The majority of the total value of members' 'out of pocket' expenses related to mileage claims submitted by the former chairman and former vice-chairman. We tested a sample of these claims and found them to be authorised in accordance with the Expenses Policy. However, the former vice-chairman submitted significant mileage claims for meetings with organisations where there was limited formal feedback. In addition, public transport may have been a more cost effective and appropriate way to travel.

Our testing confirmed that controls over 'out of pocket' expenses of directors are operating effectively. Our review found that receipts are retained and that expense claim forms were authorised appropriately.

Over £32,000 of expenditure on corporate credit cards was not receipted and supporting documentation, including statements were found to be missing at the time of our review. As a result the scope of our review of corporate credit card expenditure was limited. We understand that SPT has subsequently strengthened administration controls over corporate credit cards to ensure that receipts and supporting documentation are retained.

A number of receipts which we were not able to locate were reviewed as part of the Internal Audit Report. The Internal Audit Report concluded that corporate credit card expenditure had been made in accordance with the relevant travel policies. SPT's Internal Audit Report made a number of recommendations to strengthen controls in respect of travel and subsistence expenditure, which, we understand, have been implemented by management.

Overseas travel

We have identified items which suggest that there may have been some personal expenditure and / or excessive cost incurred. Personal and excessive expenditure should be repaid, to the extent monies have not already been repaid.

Our review of corporate credit cards identified a number of missing receipts and missing costs which prevented us examining the overseas expenditure in detail. We also identified a potentially longer than necessary length of stay, paid for by SPT, on the New York trip, based on the evidence available.

We also question the role of the members on these two trips and, in respect of New York, we can find limited evidence that SPT has received value from the level of expenditure incurred.

In advance of our review, SPT had already identified (Internal Audit Report's findings) that there should be greater value for money challenge in relation to travel and subsistence expenses. We understand that SPT has strengthened travel and subsistence expense controls aimed at preventing excessive expenditure being incurred.

Consideration requires to be made whether repayments of expenses is required for any personal expenditure incurred on overseas trips. In addition, SPT should keep under review the travel and subsistence expense controls to ensure that they are operating effectively.

Visit to GMPTÉ

The evidence suggests that this trip was arranged to coincide with the UEFA cup final, although this is disputed by the former director of communications.

Inaccuracies in the expense form submitted by the former director of communications (for his and the former vice chairman's 'out of pocket' expenses) mask the personal element of certain expenses. Personal and excessive expenditure was incurred on the trip to Manchester and an amount has been repaid by the former director of communications. It could be argued that all expenses associated with this trip should be repaid.

Section 11: Conclusions (continued)

Use of consultants

Based on sample testing, controls over the appointment and procurement of consultants were operating effectively. Management advised that the appointment of consultants is subject to a formal business challenge, although this is not always formally documented.

SPT's use of consultants is largely in accordance with the recommendations set out in Audit Scotland's report, *Central government's use of consultancy services*. However, there are some recommendations in the report that require further consideration.

Tendering arrangements – cleaning

Cleaning contracts were not always awarded to a company whose principal is related to a staff member within the organisation. We identified a small number of matters that could be challenged as not being best procurement practice, particularly when considering related parties. We acknowledge that supplier selection is a subjective process which is open to challenge.

Tendering arrangements – flowers

The level of expenditure on flowers by the former director of communications and his team was not out of line with expectations, but some were from a related party.

Where unavoidable, staff involved in purchasing goods from a related party should formally disclose their interest in the related party. The director of finance confirmed that the former director of communications had advised him of the related party relationship, but this had not been formally documented. We understand that SPT has now revised its processes to ensure that all declared related party relationships are formally documented.

Marketing expenditure

SPT's communication expenditure (which includes marketing) is supported by detailed evidence of activity and there is no evidence that it has not been tendered in line with the required policies and procedures. Total communication and publicity expenditure is comparable to other Scottish regional transport partnerships if expenditure is expressed as a percentage of total expenditure. SPT is a significantly larger organisation than the other Scottish RTPs and therefore a direct comparison is more difficult.

Partick interchange

SPT has recognised that there were difficulties in the implementation of the project from a collective viewpoint and has set up a process to allow all the parties to learn from the process and share the benefits going forward.

We were advised that informal lessons have been discussed, but that a formal review cannot be performed until the project has been handed over to Network Rail.

Use of external conference venue

Expenditure incurred on a senior management conference was not excessive, given the outputs from the conference and the number of senior staff in attendance.

Section 12: Action plan

Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Partnership or systems under consideration. The weakness may therefore give rise to loss of error.

Grade two (material) observations are those on less important control systems, one of items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the controls to meet their objectives in any significant way. These are less significant observations than grades one and two, but we still consider they merit attention.

No.	Issue and recommendation	Management response	Officer and due date
1	<p>Retention of receipts and other supporting documentation</p> <p>At the time of our review over £32,000 of expenditure on corporate credit cards was not supported by receipts or other documentation, including statements. We were advised by management that the receipts and other supporting documentation were shredded by the individual responsible for the administration of corporate credit cards.</p> <p>While we understand that SPT has strengthened administration controls over corporate credit cards to ensure that receipts and supporting documentation are retained, management should review and formalise its document retention arrangements in respect of corporate credit cards and 'out of pocket' expense claims.</p> <p>(Grade two)</p>	<p>Agreed.</p> <p>New administrative processes for the management of corporate credit cards have been in place since May 2009.</p> <p>These have been further reviewed and cross checked against the corporate document retention guidelines.</p>	<p>Director of Finance Implemented.</p>



Section 12: Action plan (continued)

No	Issue and recommendation	Management response	Officer and due date
2	<p>Expenses</p> <p>Our review identified a need to revise the expenses policy to address a number of matters requiring attention, including:</p> <ul style="list-style-type: none"> personal expenditure and / or excessive costs incurred; potentially longer than necessary lengths of stay; role of members on overseas and other trips; limited evidence that SPT received value from the level of expenditure incurred, including in respect of entertaining; and the policy in respect of authorisation of the chief executive's expenses. <p>The recommendations support the main recommendations previously made by SPT's internal auditors. The recommendations reinforce internal audit's conclusions, which included the need to demonstrate that value for money is being achieved and, where appropriate, a ceiling is applied to reclaimable expenses. We recommend that:</p> <ul style="list-style-type: none"> Consideration is given to whether repayments of expenses is required for any personal expenditure incurred on overseas trips. In addition, SPT should keep under review the strengthened travel and subsistence expense controls to ensure that they are operating effectively. A process of pre-approval of overseas and other trips and business entertaining should be implemented. This should incorporate an estimate of the value / cost of the planned trip, proposed travel arrangements (including length of stay), consideration of business need, including the value for money, attendees and the agreed method of feedback to be provided following the completion of the overseas or other trip. Arrangements are revised to ensure that the chief executive's expenses are subject to independent and formal approval. SPT's travel policy should be reviewed and updated to provide specific guidance, in line with best practice, on each expense policy area incurred (covering out of pocket, corporate credit card and travel agency). This should include class of air and rail travel; use of taxis and personal vehicles; permissible subsistence (for example telephone calls and alcohol); overnight accommodation and hotel rates; overseas travel; business and staff entertainment and other areas appropriate to the nature of SPT's business. Management should ensure that the revised expenses policy takes into account HMRC requirements. A revised expenses policy should clarify expectations that all expenses will be supported by sufficiently detailed receipts or other supporting documentation. In addition, the revised expenses policy should clarify the recommended methods for booking travel. <p>(Grade one)</p>	<p>SPT will undertake a best practice benchmarking review of expenses policies and will thereafter seek to implement the resultant recommendations as soon as practicable. Management of the chief executives expenses will be included in the brief for this review.</p> <p>All expenses are currently reviewed on submission against the existing expenses policy. Where expenditure has been confirmed as personal, an invoice will be raised for reimbursement of SPT.</p> <p>A system of pre approval (including an estimate of the cost) is already in place. With regards to members travel, it is proposed to include an estimate of travel and accommodation costs in proposals to committee. Similarly, a formal feedback process for all overseas trips and conferences is already in place.</p>	<p>Assistant Chief Executive (Business Support) 30 September 2010</p>

Section 12: Action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
3	<p>Visit to GMPTE</p> <p>The evidence suggests that this trip was arranged to coincide with the UEFA cup final, although this is disputed by the former director of communications. Inaccuracies in the expense form submitted by the former director of communications (for his and the former vice chairman's out of pocket expenses) mask the personal element of certain expenses. Personal and excessive expenditure was incurred on the trip to Manchester and an amount has been repaid by the former director of communications. It could be argued that all expenses associated with this trip should be repaid.</p> <p>We recommend that SPT consider whether any follow up action is required, including the appropriateness of the amounts repaid.</p> <p><i>(Grade one)</i></p>	<p>Agreed.</p> <p>Where expenditure has been confirmed as personal, an invoice will be raised for reimbursement of SPT where it has not already been reimbursed.</p>	<p>Assistant Chief Executive (Business Support) 30 June 2010</p>
4	<p>Use of consultants</p> <p>SPT's use of consultants is largely in accordance with the key recommendations set out in Audit Scotland's report, <i>Central government's use of consultancy services</i>. However, there are some recommendations in the report that require further consideration. Management should ensure that all requests for tender forms include formal evidence of:</p> <ul style="list-style-type: none"> the consideration and justification for the use of a consultant in place of in-house staff; and the indicators and approach to the monitoring and evaluation of the work of the consultants. <p><i>(Grade two)</i></p>	<p>Agreed.</p> <p>On occasions where a request to engage consultants is submitted, formal justification of the appointment will be required and the process for monitoring and evaluating the output detailed in advance of the appointment.</p>	<p>Director of Finance 30 June 2010</p>
5	<p>Conflicts of interests</p> <p>We investigated two separate complaints of individuals within SPT procuring supplies from related parties.</p> <p>We recommend that management review the policies and procedures for formally recording and managing conflicts of interest in relation to the procurement process.</p> <p><i>(Grade one)</i></p>	<p>Agreed.</p> <p>Formal recording and assessment of related party transactions must be documented in all procurement files in addition to the register of interests.</p>	<p>Director of Finance Implemented</p>

Section 12: Action plan (continued)

No	Issue and recommendation	Management response	Officer and due date
6	<p>Marketing and publicity expenditure</p> <p>SPT's communication expenditure (which includes marketing) is supported by detailed evidence of activity and there is no evidence that it has not been tendered in line with the required policies and procedures. Total communication and publicity expenditure is comparable to other Scottish regional transport partnerships, if expenditure is expressed as a percentage of total expenditure. SPT is a significantly larger organisation than the other Scottish RTPs and therefore a direct comparison is more difficult.</p> <p>SPT is limited in its ability to measure the impact of its marketing and publicity campaigns, as much of the expenditure is to encourage use of public transport generally, rather than a particular mode of public transport such as the subway. However, we recommend that:</p> <ul style="list-style-type: none"> the annual marketing plan is approved by the Partnership (or appropriate committee) as part of the annual planning process; reports detailing the impact of marketing are provided on a regular basis, to a relevant committee, or consideration and to allow appropriate action to be taken to consider the effectiveness and value for money of expenditure; and management keeps under review the level of expenditure in this area, with reference to other comparable organisations. <p>(Grade two)</p>	<p>Agreed.</p> <p>The annual marketing plan will be included as part of the annual budget approval process submitted to the Partnership.</p> <p>Marketing feedback is currently provided to members on a quarterly basis.</p> <p>A review of marketing expenditure is already underway as part of the wider budgetary review and streamlining of the organisation.</p>	<p>Chief Executive Immediate</p>
7	<p>Partick interchange</p> <p>A formal lessons learned review is due to commence in May 2010 following the £6 million over run and delays surrounding the Partick interchange project.</p> <p>Management should ensure that the lessons learned review is completed as soon as is possible and that the lessons are shared, as appropriate, across the organisation to inform future projects.</p> <p>(Grade two)</p>	<p>Agreed.</p>	<p>Director of Projects 30 September 2010</p>

