

**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
PROGRESS REPORT – INVESTIGATION OF EXPENSES AND
OTHER MATTERS

Introduction and background

1. At its meeting on 4 November 2010 the Accounts Commission considered a report by the Controller of Audit relating to Strathclyde Partnership for Transport (SPT). The report drew the Commission's attention to a report produced by SPT's external auditor's (KPMG) into serious issues relating to travel expenses and allegations of misuse of public funds at SPT first raised in a series of media reports.
2. The Commission noted the report and asked the Controller of Audit to produce a follow-up report recording progress. The report was to record the progress SPT had made in implementing the action plan and control actions agreed with KPMG and to explain any actions taken by SPT to recover personal or excessive expenses.
3. This report forms my response to the Commission's request.

SPT has implemented the action plan and control actions.

4. KPMG's original report in May 2010 identified serious deficiencies in SPT's arrangements for monitoring, controlling and recording travel expenses. It also identified scope for improvement in the use of consultants, tendering arrangements and marketing expenditure. The report set out an action plan containing seven recommendations together with SPT management's response and target dates and the officers responsible for implementation. In June 2010 SPT approved the action plan and identified a further eight control actions for expenses and travel.

5. KPMG followed up progress against their recommendations and SPT's control actions in May 2011. Their results – Appendix attached – show that KPMG have obtained documentary evidence and undertaken sample testing to gain assurance that the recommendations and control actions have been implemented. As a result the auditor has been able to confirm that SPT has successfully implemented a range of new procedures relating to controls over expenses, the use of consultants, conflicts of interests, marketing and publicity and capital projects.

6. KPMG identified one minor area for further improvement in controls relating to credit card expenditure. The auditor's tests noted two occasions where credit card reconciliation was authorised by a member of staff to which some of the expenditure related. On both occasions the expenditure related to pre-approved request for business travel which provided compensating control. Nevertheless, KPMG have recommended that management should further review whether the process ensures that all expenditure is authorised independently after it has been incurred.

SPT decided not to take any further action to recover expenses identified as personal and excessive.

7. KPMG's May 2010 report concluded that the former Vice-Chairman and the former Director of Communications at SPT had claimed £1,495 of expenses that could have been personal and excessive during a visit to Greater Manchester Passenger Transport Executive (GMPTE). An internal review of the circumstances surrounding the meeting with GMPTE was undertaken prior to KPMG's investigation and SPT had recovered £290 from the former Director of Communications.

8. In the conclusions to my Controller of Audit report I encouraged SPT to seek to recover the remaining £1,205 of potential personal and excessive costs. This view was endorsed by the Commission in their findings.

9. KPMG's progress update report notes that after consideration the Partnership decided not to seek further recovery. SPT had taken legal advice which had stated that because the trip had been authorised before the expenses were incurred, the chances of recovery through the courts were slim. In addition, the estimated cost of pursuing the case (at least £2,000) was likely to outweigh the sums involved. The SPT board decided against pursuing the

case further. SPT issued a public notice reporting its decision in December 2010.

Conclusion

10. The purpose of my report is to update the Commission on progress made by the SPT in response to my report of October 2010 and the Commission's findings. It is clear that SPT has taken this matter seriously and has made significant progress against the action plan and control actions. SPT has also taken appropriate steps to consider the case for further recovery and taken a reasonable decision not to pursue it on legal advice.