



Strathclyde Partnership for Transport

2021/22 Annual Audit Report to members of
Strathclyde Partnership for Transport and the
Controller of Audit

September 2022



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Key messages

This report concludes our audit of Strathclyde Partnership for Transport for 2021/22.

This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinions	<p>Strathclyde Partnership for Transport (SPT) annual accounts for the year ended 31 March 2022 were approved by the Partnership on 30 September 2022.</p> <p>We report unqualified opinions within our independent auditor’s report.</p>
Key findings on audit risks and other matters	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>SPT had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.</p>
Audit adjustments	<p>The annual accounts have been updated to reflect the adoption of statutory overrides in accounting for infrastructure assets. There has been no impact on the financial position of SPT; amendments were applied to the notes to the financial statements.</p> <p>There were no other adjusted or unadjusted differences to the unaudited annual accounts.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess SPT’s business processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit and best value



Financial Sustainability

Auditor judgement



The effects of the Covid-19 pandemic continue to impact on the financial plans of SPT. Whilst patronage has greatly improved, it is still below pre-covid levels and therefore impacting on income levels and the ability to provide reasonable medium to long term financial forecasts. SPT faces challenges in achieving a balanced financial position in 2022/23 and beyond. SPT's ability to develop longer term financial plans in a sustainable manner remains at risk and requires continuing careful management and oversight.



Financial Management

Auditor judgement



SPT has effective arrangements in place for financial management and the use of resources.

The Partnership continues to experience challenges, primarily as a result of reduced passenger related income streams, which has had a significant impact on finances in 2021/22. Despite this, SPT reported a breakeven position against its revenue budget. Additional income loss support funding was received to enable the Partnership to report this position.

Whilst the impacts of the pandemic have not been as significant in 2021/22, the current economic environment has led to rising costs and significant delays in delivery times, which have directly impacted the costs of the subway modernisation project. Overall, however, the programme remains within the approved budget, including programme contingency and available funding.

As at 31 March 2022, SPT's cash and cash equivalents and short term investments held had combined value of £175.632million. These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. Balances were managed in line with SPT's Treasury Management Strategy.



**Governance
&
Transparency**

Auditor judgement



Governance arrangements at SPT were found to be satisfactory and appropriate.



**Value for
Money**

Auditor judgement



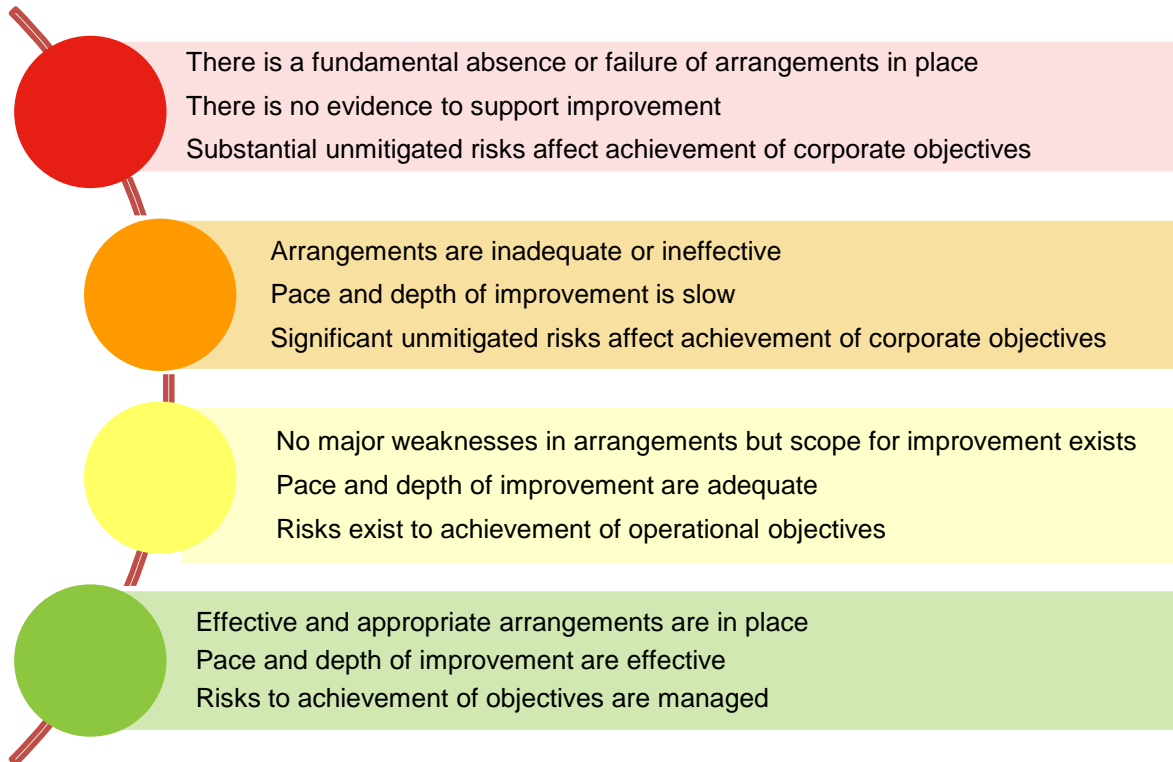
SPT has appropriate performance management arrangements in place which support the achievement of value for money.

SPT has been significantly impacted by the pandemic. While SPT's passenger numbers have significantly increased from the prior year, this is still substantially lower than pre-covid levels.

Our work in respect of SPT's best value arrangements has been integrated into our audit approach, including our work on the wider scope audit dimensions. Based on the audit work performed during 2021/22 over the wider scope audit dimensions, we are satisfied that SPT has made proper arrangements to secure best value.

Definition

Our wider scope audit involves consideration of SPT's arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence

Scope

1. This report summarises the findings from our 2021/22 audit of Strathclyde Partnership for Transport (SPT).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Standards Committee at the outset of our audit. The core elements of our work include:
 - an audit of the 2021/22 annual accounts and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - monitoring SPT’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

3. SPT is responsible for preparing annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
5. This is the final year of our audit appointment under the current audit arrangements. We would like to thank all management and staff for their co-

operation and assistance during our appointment period.

Auditor independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to SPT through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help SPT promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

SPT's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Overall conclusion

12. The annual accounts were considered by the Audit and Standards Committee on 9 September 2022 and approved by the Partnership on 30 September 2022. Our independent auditor’s report is unqualified.

Administrative processes

13. We received unaudited annual accounts and supporting papers of high standard, in line with our agreed audit timetable. Our thanks go to staff at SPT for their assistance with our work, particularly given the current environment we are working in.

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	We have issued unqualified audit opinions.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise SPT’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of SPT.</p>	<p>We reviewed the financial forecasts for 2022/23. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that SPT will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission on:</p> <ul style="list-style-type: none"> • Management Commentary • Annual Governance Statement • Remuneration Report 	<p>We read all the statutory other information in the annual accounts to identify material inconsistencies with the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary); • the Delivering Good Governance in Local Government: Framework (Annual Governance Statements); and • The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report) 	<p>The statutory other information contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003. • the information given in the annual governance statement and statement of financial control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. 	We have no matters to report.

An overview of the scope of our audit

- The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Standards Committee in February 2022. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SPT. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
- At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
- In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a

reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas

- Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
- The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to

express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified

with respect to any of the risks described below.

Significant risk areas

1. Management override

Significant risk description

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

How the scope of our audit responded to the significant risk

Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

Audit procedures

- Review of SPT's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Significant risk areas

2. Revenue recognition

Significant risk description

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that SPT could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.

Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all revenue streams except for requisitions from constituent local authorities and Scottish Government grant funding. Our conclusion remained the same throughout the audit.

Based on audit work performed, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

Significant risk areas

3. Expenditure recognition

Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

How the scope of our audit responded to the significant risk

Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.

Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of SPT's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Significant risk areas

4. Asset valuations (significant accounting estimate)

Significant risk description

SPT's assets are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's external valuer as at 31 March 2020 and are revalued in accordance with the external valuer's 5-year programme. Additional valuations may be carried out on an adhoc basis out with the rolling programme arrangements, for example, when an asset has been significantly modernised/upgraded. Investment properties are valued annually at fair value, in line with the Code.

There is a significant degree of subjectivity in the measurement and valuation of tangible fixed assets. This subjectivity and the material nature of SPT's asset base represents an increased risk of misstatement in the annual accounts.

How the scope of our audit responded to the significant risk

Key judgements

SPT is required to revalue properties with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. Investment properties are valued annually, in line with the Code.

Audit procedures

- Consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence.
- Review the valuation report and consider the assumptions used by the external valuer against external sources of evidence.
- Consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Key observations

Investment properties are valued annually at fair value, in line with the Code. In 2021/22; the value of investment properties held by SPT reduced by £0.044million as a result of the valuation of those assets. We compared the fair value movements in year against industry averages to ensure that the valuer's assumptions and methodology were appropriate. Based on the audit work performed, we are satisfied movements in valuations have appropriately taken account of changes in circumstances, are in line with industry

Significant risk areas

averages and that these results have been correctly accounted for in the annual accounts.

We considered the instructions and information provided to the valuer, and performed procedures to confirm the accuracy and completeness of information. We reviewed the professional valuations provided and are satisfied that the valuer has appropriate experience and competence to complete this exercise.

From our review of the instructions provided to the valuer and assessment of expertise of the valuer, we are satisfied that reliance can be placed on the work of this expert.

Land and buildings were revalued by SPT's external valuer as at 31 March 2020. As a result of the Subway Modernisation programme, an annual review has been instigated of all subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. In 2021/22, no impairment losses were identified as a result of this exercise.

5. Pension assumptions (significant accounting estimate)

Significant risk description

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

How the scope of our audit responded to the significant risk

Key judgement

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.

Audit procedures

- Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.

Significant risk areas

- Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.
 - Agree the disclosures in the financial statements to information provided by the actuary.
 - Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.
-

Key observations

We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

Other risk factors

Other impacts of COVID-19 on the annual accounts

19. COVID-19 continues to present unprecedented challenges to the operation, financial management and

governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the following table:

Area considered	Description	Conclusion
Access to audit evidence	Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with SPT colleagues to ensure all relevant issues were satisfactorily addressed.</p>

Estimates and judgements

20. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
21. As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to asset valuations, impairment, depreciation and amortisation rates, pension assumptions, provisions and accruals. Other than asset valuations and pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and

concluded that our assessment remained appropriate.

22. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

Estimates and judgements

Asset valuations

Balanced

Asset valuations are carried out by external valuers. In 2021/22 investment properties were valued.

We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

SPT has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Pension assumptions

Balanced

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

We reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

SPT has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Materiality

23. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

24. Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to SPT and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

25. Our initial assessment of materiality was £0.980million. On receipt of the unaudited annual accounts, we reassessed materiality and revised it as detailed in the table below. We consider that our updated assessment has remained appropriate throughout our audit.

Materiality

Overall materiality

£1,040,000



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£780,000



75%

Work performed to capture individual errors at this level

Trivial threshold

£52,000



5%

All errors greater than this level are reported

Materiality	<p>Our assessment is made with reference to SPT's gross expenditure. We consider this to be principal consideration for the users of the annual accounts when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 1.5% of gross expenditure as disclosed in the 2021/22 unaudited annual accounts.</p> <p>In performing our audit we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.</p>
Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
Trivial misstatements	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Audit differences

26. The annual accounts have been updated to reflect the adoption of statutory overrides in accounting for infrastructure assets. There has been no impact on the financial position of SPT; amendments were applied to the notes to the financial statements.
27. There were no other adjusted or unadjusted differences to the unaudited annual accounts.

Accounting for Infrastructure Assets

28. The Code requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Where a component of an asset is replaced the cost of the new

component should be reflected in the carrying amount of the infrastructure asset and the gross cost and accumulated depreciation of the old component should be derecognised to avoid double counting. Auditors have identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to International Financial Reporting Standards in 2010/11 due to information deficits.

29. CIPFA/LASAAC attempted to resolve the issues and undertook an urgent consultation on temporary changes to the Code. However, it was unable to agree an approach that addressed the concerns of all stakeholders whilst also supporting high quality financial reporting. CIPFA/LASAAC therefore

requested that the Scottish Government (and governments in England and Wales) for a temporary statutory override while a permanent solution is developed.

30. The Scottish Government published statutory guidance on 29 August 2022 and sets out the following 2 statutory overrides:
- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
 - Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.
31. SPT has chosen to adopt both of the statutory overrides. The annual accounts have been updated to reflect the adoption of these overrides. There has been no impact on the financial position of SPT; amendments were applied to the notes to the financial statements.
32. The Scottish Government expects bodies will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and the timely adoption of the Code requirements once a more permanent solution is delivered.

Internal controls

33. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to SPT. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were of a high standard and sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

Other communications

Accounting policies, presentation and disclosures

34. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by SPT.
35. The accounting policies, which are disclosed in the annual accounts are considered appropriate.
36. There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
37. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

38. We have previously discussed the risk of fraud with management. We have

not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing

39. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

40. As part of our standard audit testing, we have reviewed the laws and regulations impacting SPT. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

The Local Authority Accounts (Scotland) Regulations 2014

41. As part of our audit we reviewed SPT's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with

respect to regulations 8 to 101 as they relate to the annual accounts.

42. Overall we concluded that appropriate arrangements are in place to comply with these Regulations

Written representations

43. We presented a letter of representation to the Director of Finance and Corporate Support to sign at the same time as the annual accounts were approved.

Related parties

44. We are not aware of any related party transactions which have not been disclosed. We did however note during our audit testing of potential undisclosed related parties, that register of interests were not held for two Partnership members who were in post during 2021/22.

Confirmations from third parties

45. All requested third party confirmations in respect of bank and legal confirmations were received.

¹ Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether SPT is planning effectively to continue to deliver its services and the way in which they should be delivered.



Auditor judgement



The effects of the Covid-19 pandemic continue to impact on the financial plans of SPT. Whilst patronage has greatly improved, it is still below pre-covid levels and therefore impacting on income levels and the ability to provide reasonable medium to long term financial forecasts. SPT faces challenges in achieving a balanced financial position in 2022/23 and beyond. SPT's ability to develop longer term financial plans in a sustainable manner remains at risk and requires continuing careful management and oversight.

Significant audit risk

46. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

SPT prepares two year rolling revenue budgets. At the same time as approving the 2021/22 revenue budget, the Partnership considered an indicative 2022/23 revenue budget. The 2022/23 revenue budget, presented in March 2021, presented a deficit position; assuming no further Covid support grant, local authority requisitions set at prior year levels, and a gradual increase in income from operations.

The 2022/23 revenue budget is due to be presented to the Strategy and Programmes Committee in February 2022 prior to presentation to the Partnership in March 2022. Significant reductions have been built into the 2022/23 budget and through this a balanced budget has been forecast. The achievement of a balance budget is largely due to the original payment of £5.2million for the contribution to the Subway Fund is no longer included in the revised budget.

SPT has committed within their 2022/23 revenue budget that any underspend in Bus Services in 2021/22 will be taken to the Bus Reserves. This is due to the expectation that Bus Operations will face significant pressures as a result of the Covid Support being removed from the Bus Services; with SPT being required to fill in these operational gaps.

In terms of their net revenue position for 2021/22, SPT believe they will be in a stable position at the year end, with an expectation of adding to their reserves. As a result of staff turnover and other factors, there has been an underspend in staff costs. This is only seen to be a short-term measure, with the aim to recruit back up. For the 2022/23 Budget, SPT have been more aggressive in their staff costs budget, ensuring that the department allocations are based on current and future requirements as opposed to prior year levels.

The COVID-19 pandemic continues to have an impact, in terms of the financial plans of SPT; primarily as a result of a vastly reduced farebox and passenger related income streams. Whilst subway income has been higher than originally forecasted in 2021/22, this still remains lower than in previous years which brings significant challenges for SPT to develop a balance budget.

SPT have considered whether Covid support is required. Therefore, discussions between SPT and the Scottish Government will be on-going to obtain the most appropriate outcome. This may be in the form of a Letter of Comfort, which would last until the 31 March.


Additionally, the implementation of the Young Persons' Free Bus Travel Scheme in Scotland is expected to impact on the level of subway income in 2022/23, with approximately 17% of subway journeys undertaken by "Under 22s". This is an on-going

Financial sustainability

discussion between SPT and the Scottish Government and we will monitor progress to understand the impact which this will have on SPT going forward.

Prior to the impact of Covid-19, SPT's Long Term Financial Strategy (covering to the period 2028/29) highlighted that SPT is financially sustainable, and in a financial position which will allow it to continue to operate in the short to medium term. However, work is required to update the Long-Term Financial Strategy to take account of the impact the pandemic will have on the future of SPT. The long-term strategy will not be updated as part of the budget process as a result of the on-going covid impacts and the upcoming local elections.

Noted in the 2021/22 External Audit Plan

- 
47. Our detailed findings on SPT's financial framework for achieving long term financial sustainability are set out below.

Revenue budget 2022/23

48. In March 2022, the Partnership approved a net revenue budget of £36.281million for 2022/23. The Partnership approved to decrease the local authority requisition level by 0.42% from the prior year (£35.782million in 2021/22). The budget was set within the context of a number of unknowns:

- The plans for easing restrictions, including travel restrictions, and any certainty over patronage numbers and revenue income.
- How much the anticipated shift by businesses from full time office working to a hybrid model will impact on subway patronage numbers.
- Plans for easing support to commercial bus operators and the impact this has on services linking

communities not linked by commercial networks.

- The final local government settlement and therefore agreed requisitions to SPT.
- Uncertainty, whether the income loss support grant made available from Transport Scotland since 2020/21 would continue and if so at what level.

49. The budget assumes no additional Covid support grant from Transport Scotland (£5.629million received in 2021/22). The budget also assumes increases in income from the subway and bus operations, in line with trends presented in 2021/22 as well as a reduction for the impact of under 22 free bus travel. The budget incorporates a slight increase in subway fares. The last change to subway fares was in April 2019 and SPT has absorbed all additional cost and income pressures during the

pandemic without passing these costs onto passengers.

50. SPT continue to work with local authorities and Transport Scotland to ensure a stable financial position.

Longer term financial planning

51. SPT prepares two year rolling revenue budgets. At the same time as approving the 2022/23 revenue budget, the Partnership considered an indicative 2023/24 revenue budget. The 2023/24 revenue budget presents a deficit position; assuming no further Covid support grant, local authority requisitions set at prior year levels, and a gradual increase in income from subway and bus operations.
52. The Long-Term Financial Strategy has not been updated since before Covid-19 and therefore is not an accurate reflection of the current and future position of the Partnership. The first draft is due to be prepared by the end of 2022. The Partnership decided it would be more beneficial to wait until the subway patronage is more stable to provide more accurate forecasting. The long-term financial strategy will be presented to the Partnership alongside the budget for 2023/24.

Future capital plans

53. SPT prepares a three-year rolling capital programme and budget which seeks to balance the transport project delivery aspirations and the funding available to it. In March 2022, the Partnership approved a three-year programme; highlighting that years' two and three are indicative.
54. For 2022/23, SPT plans to incur capital expenditure of £63.256million, funded through capital grants, specific

grant funding in relation to the Subway Modernisation project and contributions from reserves. SPT sets a capital plan which is greater than the funding available to ensure that the plan delivery is maximised within the funding available and project delivery movements.

55. The subway modernisation project comprises a significant proportion of the capital plan. Ministers previously committed to fund up to £246million of the total project cost with SPT directly contributing the remaining £42million. In 2022/23 SPT plan to spend £37.178million on the project; being funded from grant from Scottish Government as well as through a transfer from the Partnership's Capital Grants Unapplied Account.

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Auditor judgement



SPT has effective arrangements in place for financial management and the use of resources.

The Partnership continues to experience challenges, primarily as a result of reduced passenger related income streams, which has had a significant impact on finances in 2021/22. Despite this, SPT reported a breakeven position against its revenue budget. Additional income loss support funding was received to enable the Partnership to report this position.

Whilst the impacts of the pandemic have not been as significant in 2021/22, the current economic environment has led to rising costs and significant delays in delivery times, which have directly impacted on the costs of the subway modernisation project. Overall, however, the programme remains within the approved budget, including programme contingency and available funding.

As at 31 March 2022, SPT's cash and cash equivalents and short term investments held had combined value of £175.632million. These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. Balances were managed in line with SPT's Treasury Management Strategy.

Financial performance

SPT's financial performance in 2021/22

56. The Comprehensive Income and Expenditure Statement (CIES) for 2021/22 shows that SPT spent £69.538million on the provision of services, resulting in an accounting surplus of £7.168million (2020/21: £8.684million).
57. The accounting surplus includes certain elements of income and

expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2021/22 Code), and which are subsequently adjusted to show their impact on reserves.

58. Following the required adjustments, the net impact on the general fund is an increase of £13.322million to £100.335million. In total, cash backed (useable) reserves held by SPT increased by £3.405million in the year to £169.393million.

Movement in SPT's useable reserves per the Annual Accounts 2021/22

	2021/22 £000	2020/21 £000	Movement £000
General Fund	100,335	87,013	13,322
Insurance Fund: used to fund expenditure directly relating to insurance, including the costs of insurance excesses, premiums and risk management.	1,219	1,219	-
Renewal and Repair Fund: use to fund expenditure which relates directly to the repairing, maintaining and replacing works of plant, building and equipment.	1,500	1,500	-
Capital Fund: use to fund approved capital expenditure.	26,173	26,133	40
Capital Grants Unapplied Account	40,166	50,123	(9,957)
Total useable reserves	169,393	165,988	3,405

60. In 2021/22 £87.968million of the general fund balance was earmarked with the remainder representing a non-earmarked reserve of £12.367million.
61. SPT reviews its reserves policy on an annual basis. Earmarked General Fund Reserves are used for known future expenditure requirements. Non earmarked reserves are held to cover unforeseen circumstances. The target non earmarked reserves are held at approximately six months of operational income. Non earmarked reserves are consistent with the targeted level.
62. As at 31 March 2022, SPT's cash and cash equivalents and short term investments held had combined value of £175.632million (2020/21: £172.328million). These large balances have arisen due to timing issues between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones.
63. The Covid-19 pandemic has continued to have a significant impact on SPT finances in 2021/22, primarily as a result of reduced farebox and passenger related income streams. However, despite patronage levels being significantly below pre-pandemic levels, there has been substantial improvement from the prior year as a result of the economy recovering from the pandemic.
64. Regular reports were presented to members on the 2021/22 financial forecast. Throughout 2021/22, the Partnership forecast a deficit position that would require financial assistance. Discussions with Transport Scotland throughout the year led to additional funding (income loss support) of £5.629million being received.
65. SPT achieved a breakeven position in 2021/22. The net revenue budget of £36.431million was met from local authority contributions (£35.782million) and a contribution of £0.649million direct from the Scottish Government.
66. This position was met through:
- Income loss support from Transport Scotland (£5.629million);
 - Vacant posts in the year;
 - Income generated by subway ticket sales exceeding expectation; and
 - Savings in property costs and supplies and services.
67. This financial outturn is set in the context of SPT continuing to operate services during the pandemic. In respect of SPT bus services, SPT maintained essential services and reallocated resources to ensure strategic gaps were filled. As a result of reduced demand for MyBus Services, SPT reshaped its service provision and re-directed capacity to support local services.

Revenue performance against budget

Revenue performance against budget

Directorate	Annual budget £million	Actual £million	Variance over/(under) £million
Subway operations	6.854	1.674	5.180
Bus operations	16.687	14.527	2.160
Operations – other	1.093	1.047	0.046
Business support	3.574	3.258	0.316
Corporate	3.024	2.106	0.918
Contribution to reserves	5.200	13.820	(8.620)
Total	36.432	36.432	-

Source: Annual accounts 2021/22 and budget monitoring reports

Capital position

68. In 2021/22 the capital outturn was £25.793million against a revised capital budget of £32.332million. A number of budget adjustments were approved during the year which reduced the original capital budget.
69. It has been recognised that the response to the pandemic along with global supply chain issues and inflationary pressures will continue to affect the delivery of projects.

Subway modernisation programme

70. The programme was scoped for delivery under five principal workstreams. Three of these

workstreams have now been classed as complete:

- Stations and Accessibility Improvements;
- New Ticketing System; and
- Renewal and Upgrade of Existing Infrastructure & Depot Facilities

71. The remaining two workstreams are:
- New Rolling Stock, Signalling and Automated Control Systems; and
 - Organisational Change and Employee Relations.

72. The impact caused by the Covid-19 pandemic has continued to ease during the year. Efforts continue to be made across the Partnership and its

supply chain to manage ongoing and emerging issues and minimise impacts to delivery.

73. Night time testing of the new trains commenced in April 2022. These trains are still under going testing and are therefore not yet assets of the Partnership.
74. As at the June 2022 Partnership meeting, £188.5million has been incurred against the total budget of £288.7million on the programme. Overall, the subway modernisation programme remains within the approved budget, including programme contingency and available funding.

Treasury management

75. SPT has adopted in full the Chartered Institute of Public Finance “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” and has developed policies and practices designed to meet this Code of Practice. We have reviewed the relevant arrangements including the Treasury Management Strategy and confirmed that they are in line with the requirements of applicable guidance.
76. SPT’s Treasury Management Strategy sets out the following arrangements:
- Investments are managed in-house;
 - SPT has appointed Link Group as its treasury management advisors
 - SPT holds no external debt and has no plans to borrow over the coming year
 - SPT has defined its investment policy which sets out permitted

investment instruments, limits on the amounts and maturity of investments, use of approved counterparties (UK only). The investment priorities for SPT are security first, liquidity second and then return.

77. We concluded in 2021/22 that SPT had operated within its investment policy.

Systems of internal control

78. We have evaluated SPT’s key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.
79. We did not identify any significant weaknesses in SPT’s accounting and internal control systems during our audit.

Internal audit

80. SPT’s internal audit service is an independent assurance function that provides an opinion on SPT’s control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
81. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of SPT’s total audit resource.

Prevention and detection of fraud and irregularity

82. We found SPT’s arrangements for the prevention and detection of fraud and

other irregularities to be appropriate. SPT has continued to operate an effective control environment throughout the pandemic to ensure that those controls and procedures which prevent fraud have been appropriately managed.

National fraud initiative

83. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
84. The most recent NFI exercise commenced in 2020. We completed a questionnaire and submitted this to Audit Scotland earlier this year. Overall we concluded that NFI arrangements are satisfactory, and that SPT has taken a reasonable and proportionate approach to investigating matches.

Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Auditor judgement



Governance arrangements at SPT were found to be satisfactory and appropriate.

Governance and transparency

Governance

85. The Partnership comprises twenty elected members representing the twelve constituent local authorities in the West of Scotland and between seven and nine appointed members.
86. The recent local government elections has significantly impacted the Partnership's membership, with 15 out of the 20 councillors being newly appointed.
87. The Partnership ceased to hold formal meetings during the period of pre-election. To ensure that the business of SPT continued without delay during this period, the Partnership, at its meeting on 18 March 2022, agreed that a general delegation be granted to the Chief Executive.

Induction and Training

88. The Partnership has developed induction training covering the work, role and responsibilities of the Partnership and its committees. Additionally, members have been provided with induction guidance issued by the Scottish Government.

Leadership changes

89. During the year, the process for appointment of a permanent Chief Executive took place and in December 2021, the decision was made to appoint Valerie Davidson as permanent Chief Executive.
90. The change in leadership has been a driving factor towards the refresh of the Partnership's governance documents.

91. The Governance Manual has been reviewed and revised. Aspects such as references to EU Law have been amended as well as changes in organisational structure and the Scheme of Delegation. Additionally, there has been a refresh of the Standing Orders and the counter fraud strategy.

Risk management

92. SPT's corporate risk register is reviewed and updated at Strategy Group meetings every four weeks and presented to the Audit and Standards Committee for noting. The corporate risk register, during 2021/22, was updated, with close attention being paid to operational income and cash reserves and the impact of climate change.

Workforce management

93. The Partnership has been actively addressing workforce issues that have arisen during the year.
94. An area of risk and challenge for the Partnership is recruitment and retention within its IT department. It is acknowledged that this is a common challenge amongst public sector organisations. However, with the increase in cyber security risks, it is imperative that efforts are made to recruit and retain IT specialists. The Partnership is currently reviewing its recruitment processes and has employed the aide of an IT agency to address this challenge.
95. In terms of operational staff, the Partnership has completed a successful recruitment drive which has alleviated the burden on operations.

Employee Disputes

96. There have been discussions held with Trade Unions, with regard to subway staff unsatisfied by the “unfair duty rosters”. Under current terms and conditions, the Partnership has the ability to re-roster at 14 days’ notice.
97. This is primarily used to manage occasions where there are high levels of patronage due to large events. However, with the increase in staff sickness levels and other factors, the frequency of the re-rostering has increased.
98. The Partnership had been in discussion with the Trade Unions to reach an agreement on the matter. Despite this, a ballot took place in July 2022 with Union members voting 99% for strike action on an 83% turnout. The strike was due to take place over four days in August, coinciding with Rangers FC’s home games. Therefore, this attracted large media attention.
99. It has since been agreed to suspend these strikes and talks remain on-going. The Partnership is identifying ways to address its previous approach to rostering.

Openness and transparency

100. Through our review of committee papers, we are satisfied that there has been effective scrutiny, challenge and informed decision making through the financial period.
101. Our conclusion is informed by attendance at the Audit and Standards Committee and throughout our audit appointment we have attended and observed other committee meetings.

102. In addition, we reviewed the published minutes of the Partnership and committees. It is our assessment that items on the agenda are in line with the most pertinent issues for SPT.
103. There is evidence of challenge and scrutiny by members on the reports presented to the relevant committee. The reports are of high quality and aid the user in scrutinising performance across the various business areas in which they operate. The information produced allows the end user to scrutinise SPT’s performance in relation to strategic, operational and financial performance.

Fairness and equality

104. The Partnership has identified four equality outcomes as a response to key barriers experienced in accessing the transport network:
 1. Disabled people have improved access to SPT facilities and services
 2. People have improved access to our best value fares
 3. Our Passengers’ differing needs are better reflected in how we plan and deliver SPT transport services.
 4. Younger people, older people, women, disabled people, LGBT+ people, and black and ethnic minority people feel safe when using SPT services.
105. A fifth equality outcome is in relation to the diversity of the organisation;
 5. SPT’s workforce demographic reflects the SPT area, helping us to better understand the needs of our communities.

106. To monitor progress against these outcomes, the Partnership has published its Advancing Equality Report 2021, which illustrates the progress made between April 2019 to March 2021. This report is available on SPT's website.

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the SPT's reporting of its performance.



Auditor judgement



SPT has appropriate performance management arrangements in place which support the achievement of value for money.

SPT has been significantly impacted by the pandemic. While SPT's passenger numbers have significantly increased from the prior year, this is still substantially lower than pre-covid levels.

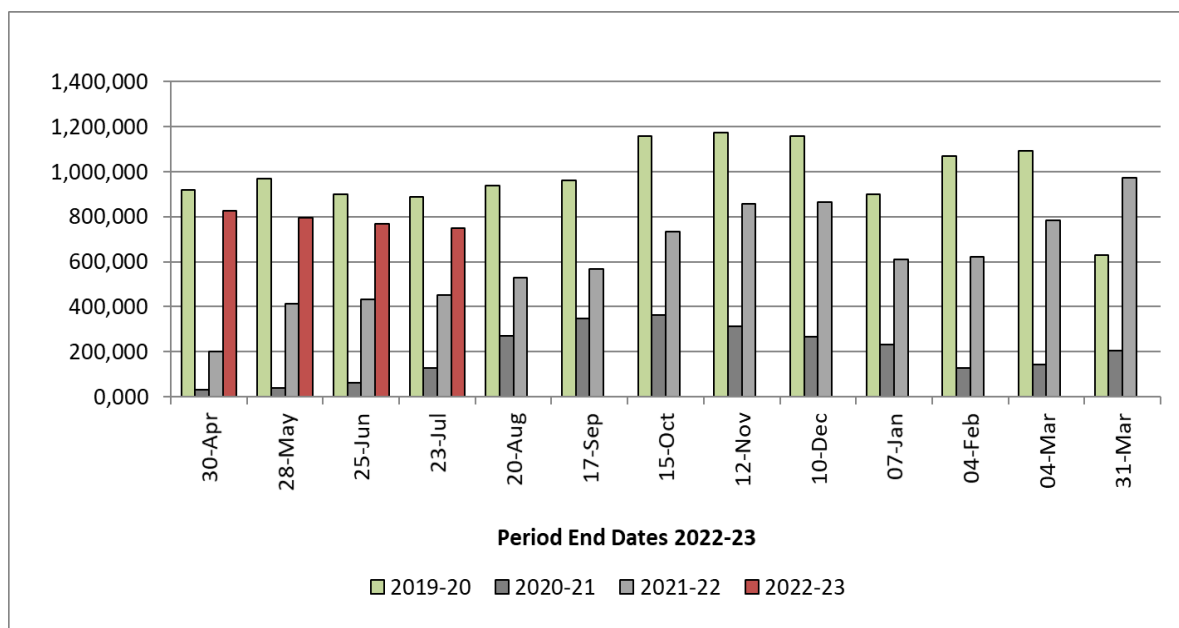
Performance management framework

107. Performance information is presented to the Operations Committee in relation to operational measures. Financial performance information is presented to the Strategy and Programmes Committee. Minutes of meetings of these committees are reported to the Partnership, and proceedings and papers of all committees are published on the SPT website.
108. The financial and performance information presented to the relevant committees comprises sufficient detail to facilitate scrutiny and challenge. From review of committee papers we found that members actively scrutinise and challenge the financial position and operational performance of SPT.

Impact of the pandemic on the operations of SPT

109. The Operations Committee is routinely presented with monitoring reports on the operational performance of public transport services and facilities which are delivered directly by the Partnership or by others on behalf of the Partnership. These reports include coverage of the impact the pandemic and resulting restrictions continue to have on the delivery of services.
110. There have been various factors which have directly impacted passenger numbers, such as the Omicron Covid variant starting at the end of November 2021, the encouragement to work from home where possible for periods in the financial year and COP 26.

Subway patronage by period (gate entries)



Source: Monitoring report on public transport services & facilities in the SPT area (August 2022)

- 111. The above chart illustrates the subway patronage by period over the past three years. Whilst subway patronage has improved considerably from the historically low 2020/21 levels, there is still a significant deficit compared to the pre-covid levels in 2019/20.
- 112. The impact of the pandemic has considerably shifted societal trends, with hybrid working becoming the 'new normal'. This directly impacts the transport industry as a whole and could likely impact the Partnership on a long-term basis.
- 113. As patronage numbers have increased, the Partnership has seen an increase in incidents of anti-social behaviour on public transport. SPT is working with other transport operators, British Transport Police, Police Scotland and Transport Scotland to address this issue.
- 114. The Partnership has publicly cited the requirement for better design of Public Transport, with bright and airy spaces and more CCTV to make passengers feel safer. This links in with its equalities aim of ensuring different social groups feel safe when using SPT services.

Regional Transport Strategy

- 115. A Catalyst for Change' the statutory Regional Transport Strategy (RTS) for the west of Scotland 2008-21 was approved by Scottish Ministers in 2008. A RTS Delivery Plan links the RTS to SPT's business planning processes through the strategic priorities and sets out the services, projects and initiatives that will enable the delivery of the RTS.
- 116. Work has been on-going during 2021/22 to develop the new RTS. The

new RTS will set out a long-term vision, policies and actions for the transport system to help develop a more sustainable and growing economy.

- 117. A public consultation was completed on the Case for Change, which found broad support for the RTS vision, target and objectives and identified transport 'key issues' to be addressed through the new strategy.
- 118. The draft strategy will be presented to SPT's new Partnership. It will then be widely available for public consultation.

Strategic Transport Projects Review 2

- 119. The purpose of the Strategic Transport Projects Review 2 (STPR2) is to inform national transport investment decision-making in Scotland for the next 20 years through making a series of evidence-based recommendations.
- 120. Over the last three years, a development process has taken place, with a three-month consultation being launched by Transport Scotland on the proposed final recommendations of STPR2. The Partnership was involved in the creation of this review.
- 121. It is believed that the recommendations made through this review may have a transformational impact on travel within the West of Scotland going forward. The Partnership continue to assist Transport Scotland with the delivery of this review and ensuring that the recommendations provide value towards improving the quality of transport within the West of Scotland region.

122. The STPR2 is also being considered
by the Partnership during the
development of the RTS.

Appendices

Appendix 1: Respective responsibilities of the Partnership and the Auditor

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Appendix 1: Respective responsibilities of the Partnership and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of the Partnership and the auditor and are detailed below.

SPT responsibilities

The Partnership has primary responsibility for ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

Area	SPT responsibilities
Corporate governance	<p>The Partnership is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements.	<p>The Partnership has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • maintaining proper accounting records; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of SPT. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p>

Area	SPT responsibilities
	<p>The Partnership is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct for prevention and detection of fraud and error	<p>The Partnership is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
Financial position	<p>The Partnership is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	<p>The Partnership has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Controller of Audit when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The total fees charged to SPT for the provision of services in 2021/22 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of Strathclyde Partnership for Transport (Auditor remuneration)	52,650	51,570
Total audit	52,650	51,570
Non-audit services	-	-
Total fees	52,650	51,570

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to SPT.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at SPT since appointment can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>



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