



# Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee

External Audit Annual Plan

2021/22

February 2022



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# Introduction



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## Introduction

1. This document summarises the work plan for our 2021/22 external audit of Strathclyde Partnership for Transport (“SPT”) and Strathclyde Concessionary Travel Scheme Joint Committee (“SCTS”).
2. The core elements of our work include audits of:
  - the 2021/22 annual accounts of both SPT and SCTS;
  - SPT’s arrangements for financial sustainability, financial management, governance and transparency and value for money;
  - SPT’s participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

## Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Azets as external auditor of

SPT and SCTS for the six year period 2016/17 to 2021/22<sup>1</sup>. This document reflects the audit plan for 2021/22 and summarises;

- the responsibilities of Azets as the external auditor;
- our audit strategy;
- our planned audit work and how we will approach it;
- our proposed audit outputs and timetable; and
- background to Azets and the audit management team.

## 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 comply with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, the audit process is independent and our objectivity is not compromised in any way.
8. We set out in Appendix 2 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 and SCTS through our external audit work by

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<sup>1</sup> In October 2020, the Accounts Commission extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide

continuity and stability in the current challenging environment.

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 and SCTS 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](http://www.audit-scotland.gov.uk).

# Respective responsibilities of the auditor, SPT and SCTS



## Respective responsibilities of the auditor, SPT and SCTS

### Auditor responsibilities

#### Code of Audit Practice

12. The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

#### Our responsibilities

13. 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 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.

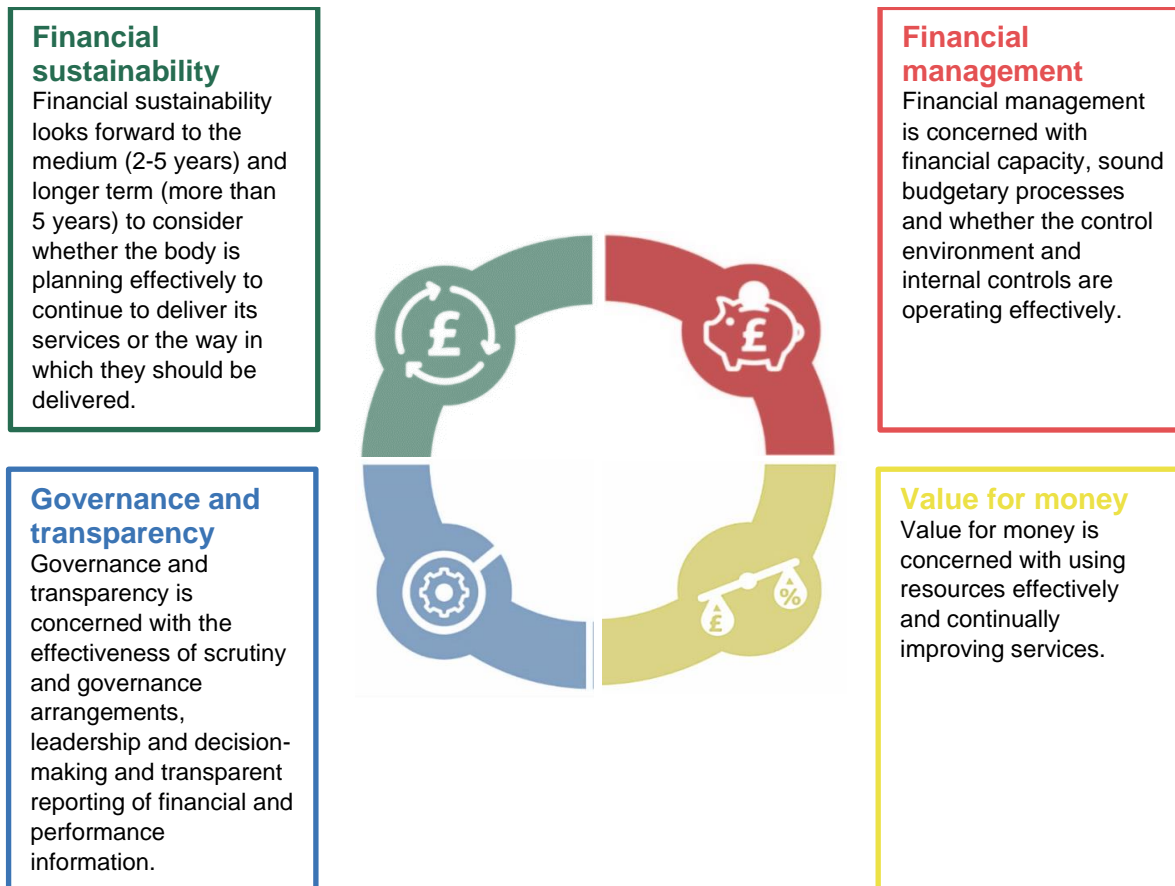
This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

15. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

#### Wider scope audit work

14. 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.

## Exhibit 1: Audit dimensions within the Code of Audit Practice



16. We have concluded that application of the full wider scope is appropriate at SPT. We will apply the 'restricted' wider scope to SCTS.
17. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code and may not be all that exist. Communication by Azets of matters arising from the audit of the financial statements 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.

### Best Value

18. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
19. Our work in respect of SPT's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions as set out in this plan.
20. Audit Scotland has requested that external auditors focus on the audited body's arrangements relating to the best value theme of fairness and equality. We will consider this in the



context of our wider scope audit work and include commentary in our annual audit report as appropriate.

stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Partnership and Joint Committee responsibilities are summarised in Exhibit 2.

## SPT and SCTS responsibilities

21. The Partnership and Joint Committee have primary responsibility for ensuring the proper financial

### Exhibit 2: SPT and SCTS responsibilities

Area	SPT and SCTS responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Partnership and Joint Committee have responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures</li> <li>• maintaining proper accounting records</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>

Area	SPT and SCTS responsibilities
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Partnership and Joint Committee are 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"><li>• Such financial monitoring and reporting arrangements as may be specified;</li><li>• Compliance with any statutory financial requirements and achievement of financial targets;</li><li>• Balances and reserves, including strategies about levels and their future use;</li><li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li><li>• The impact of planned future policies and foreseeable developments on the financial position.</li></ul>
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the Partnership and Joint Committee's responsibility for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Partnership and Joint Committee are 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 their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the Partnership and Joint Committee's responsibility 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 by putting proper arrangements in place.</p>

Area	SPT and SCTS responsibilities
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Partnership and Joint Committee are responsible for establishing arrangements to ensure the proper conduct of their 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> <p>The Partnership and Joint Committee are also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Partnership and Joint Committee have 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>

# Audit strategy



## Audit strategy

### Risk-based audit approach

22. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SPT and SCTS. This ensures

that our audit focuses on the areas of highest risk. Our audit planning is based on:



23. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

### Communication with those charged with governance

24. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with SPT that these communications will be through the Audit and Standards Committee.

### Professional standards and guidance

25. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK (ISAs (UK))), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

### Partnership working

26. We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration

of service delivery and partnership working with the public sector.

## Audit Scotland

27. Although we are independent of Audit Scotland and are responsible for forming our own views and opinion, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.
28. Audit Scotland undertakes national performance audits on issues affecting the public sector. We review the SPT's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which SPT uses the national performance reports as a means to help improve performance at the local level.

## Internal Audit

29. We are committed to avoiding duplication of audit effort and ensuring an efficient use of SPT's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to SPT is used efficiently and effectively.

## COVID-19 – impact on our 2021/22 audit strategy

30. The COVID-19 pandemic has had, and continues to have, a significant and profound effect on every aspect of Scottish society.
31. We appreciate that different organisations have been impacted differently by COVID-19, as have finance teams, and some organisations are better set up for remote working. We also know that plans can change quickly, it only takes the absence of one member of staff from a small finance team to have a massive impact. Equally our own teams may also be impacted by the pandemic. The wellbeing of our clients and our staff is paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance.

### Remote working

32. As we continue to follow Scottish Government guidelines and acknowledge SPT's working arrangements, we are currently planning to carry out our audit remotely. We have the following arrangements in place:
  - All of our people have the equipment, technology and systems to allow them to work remotely, including secure access to all necessary data and information.
  - All of our staff are fully contactable by email, phone call and video-conferencing.
  - All meetings are now held over Skype, Microsoft Teams or by telephone.

- We are keeping all of our staff fully up to date with the latest government guidance in order to keep everyone as safe as possible.
33. If resourcing levels in any part of our business are compromised due to illness or inability to work, we will refocus our teams as necessary to deliver to deadlines. Our teams are holding regular catch ups to allow us to re-prioritise workloads as necessary.

### Secure sharing of information

34. We use a cloud-based file sharing service that enables users to easily and securely exchange documents.

### Audit evidence

35. Working remotely, does unfortunately result in the audit team requesting audit evidence which we would have previously obtained through other means, for example, face to face meetings or access to systems and client premises.
36. Where required we will consider other ways in which we can obtain audit evidence or carry out alternative audit procedures.
37. We will employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

### Regular contact

38. During the 'fieldwork' phase of our audit, we will look to agree regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

### Audit reporting

39. It may be likely that the current circumstances lead to more modified opinions in auditor's reports, than would typically have been the case in previous years.
40. Where necessary, we will engage with the Audit and Standards Committee to explain the implications of our proposed report and consider whether there are other procedures that could be undertaken, at a future point yet to be determined which could mitigate any modification either fully or in part.
41. Sufficient time should be set aside by the Audit and Standards Committee to allow for comprehensive, complete and informed communication with the auditor. This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.
42. We will use DocuSign (electronic signature) for signing the annual accounts.
43. Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high quality PDF version of the accounts.

# Annual accounts – Strathclyde Partnership for Transport





# Annual accounts – Strathclyde Partnership for Transport

## Introduction

44. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of SPT's annual accounts.

## Approach to audit of the annual accounts

45. Our opinion on the annual accounts will be based on:

### Risk-based audit planning

46. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

### Accounting systems and internal controls

47. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

48. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and SPT's own policies and procedures.

49. We will take cognisance of any relevant internal audit reviews of systems and controls.

50. Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal controls change. Potential areas of risk include:

- Public sector staff working under extreme pressure leading to some internal controls being suspended or relaxed;
- Procurement fraud; normal controls being relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers;
- Weakened governance arrangements; and
- Staff working remotely may pose potential security risks e.g. when using personal devices and/or using removable devices to download data.

51. We will update the risk assessment following our evaluation of systems and controls, considering the impact the pandemic has had on SPT's accounting systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.

52. This work is not for the purpose of expressing an opinion on the effectiveness of internal controls. We will report significant deficiencies in internal controls that we identify during the audit. These matters will be limited to those which we conclude are of sufficient importance to merit being reported. The scope of our work is not

designed to be an extensive review of all internal controls.

#### Prevention and detection of fraud or error

53. We plan our audit in such a way as to obtain reasonable assurance of detecting material misstatements in the annual accounts resulting from fraud or error.
54. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts.
55. We will assess the susceptibility of SPT's annual accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
56. 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. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

#### Laws and regulations

57. We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact the annual accounts. Our audit procedures include the following:
- Identification of the laws and regulations applicable to SPT through enquiries with management, and from our knowledge and experience of SPT and the sector;
  - A focus on specific laws and regulations which we consider may have a direct material effect on the annual accounts or the operations of SPT;
  - Reviewing minutes of relevant meetings;
  - Enquiring of management and SPT's legal representatives the position in relation to litigation, claims and assessments; and
  - Performing detailed testing of transactions and balances.
58. There are however inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

#### A final audit of the annual accounts

59. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
60. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the

Code of Practice on Local Authority  
Accounting in the United Kingdom  
2021/22 (the Code).

### Independent auditor’s report

- 61. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor’s report which will be included in the annual accounts.
- 62. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

### Materiality

- 63. 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 over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
- 64. 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 group 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.
- 65. Performance materiality 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.

- 66. Our initial assessment of materiality and performance materiality is set out in the table below:

	Materiality £000
<b>Overall materiality:</b> Our initial assessment is based on approximately 1.5% of SPT’s 2020/21 gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of SPT.	980
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..	
<b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	735
67. We will report any misstatements identified through our audit that fall into one of the following categories:	
<ul style="list-style-type: none"> <li>• All material corrected misstatements;</li> <li>• Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and</li> </ul>	

- Other misstatements below 5% threshold that we believe warrant reporting on qualitative grounds.

### Key audit risks in the annual accounts

68. Auditing standards require that we inform the Audit and Standards Committee of our assessment of the

risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit and Standards Committee if our assessment changes significantly during the audit.

## Exhibit 3 – Key audit risks in the annual accounts


### Management override

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*.

69. In response to this risk we will review SPT's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the annual accounts are indicative of potential bias.


## Revenue recognition

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.

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70. We have identified that for funding received as requisition from the constituent local authorities and Scottish Government grant funding, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all non-government or requisition revenue streams.
  71. We will evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.

## Risk of fraud in the recognition of expenditure


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.

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72. In response to this risk we will evaluate the significant expenditure streams (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider SPT's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

### Asset valuations (significant accounting estimate)

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.

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- A grey arrow originates from the bottom left corner of the text box above and points towards the first item in the list.
73. We will ensure that tangible assets have been recorded in the annual accounts in accordance with the Code and SPT's accounting policies and have been accounted for appropriately. We will review asset valuations and ensure SPT has completed a recent assessment for impairment across its portfolio of assets.
  74. Where professional advice has been obtained, we will consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the external valuer against external sources of evidence. In addition to this we will consider the scope of the external valuers work and the information provided to the external valuer for completeness.

### Pension assumptions (significant accounting estimate)

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 data 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.

75. We will review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosures in the annual accounts to information provided by the actuary.

## Other risk factors

### Impact of COVID-19 on the annual accounts

76. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the annual accounts. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
77. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.


### Accounting estimates

78. Changes to ISA (UK) 540 - *Auditing Accounting Estimates and Related Disclosures* which is applicable for accounting periods beginning on or

after 15 December 2019 places increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.

79. As part of the planning stages of the audit we identify all accounting estimates made by management and determine which of those are significant to the overall annual accounts. Consideration was given to asset valuations and impairment, pension assumptions, provisions, depreciation, provisions, accruals. Other than asset valuations and pension assumptions we have not determined the accounting estimates to be significant. We will however revisit our assessment during the fieldwork and completion stages of our audit.

# Wider scope audit – Strathclyde Partnership for Transport



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## Wider scope audit

### Introduction

80. As described in section 2, the Code 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.
81. Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon the understanding of SPT's key priorities and risks which we developed from previous years, along with discussions with management and review of committee minutes and key strategy documents.
82. We have identified one significant risk to the wider scope of our audit (Exhibit 4). We have not, at this stage, identified any significant risks in relation to the other dimensions.
83. Audit planning however is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report. Exhibit 5 summarises our audit work in respect of each dimension.

## Exhibit 4 – Wider scope significant risk

### 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 discussion between SPT and the Scottish Government and we will monitor this 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

## Financial sustainability

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.

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84. During our audit we will continue to review whether SPT has appropriate arrangements in place to manage its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of COVID-19 and that continue to support the delivery of SPT's statutory functions and strategic objectives.

## Exhibit 5 - Our audit approach to the wider scope audit dimensions



### Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

#### Consideration

As noted in Exhibit 4.

Typically, each year, the Partnership is presented with a rolling two-year revenue budget and three year rolling capital programme. 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 presents a deficit position; assuming no further Covid support grant, local authority requisitions set at prior year levels, and an increase in income from operations.

SPT also prepares a three-year rolling capital programme and budget which seeks to balance the transport project delivery aspirations and the funding available to it. The subway modernisation project comprises a significant proportion of the capital plan.

#### Our audit approach

During our 2021/2022 audit we will update our assessment of SPT's financial standing. This will involve a review of the arrangements in place for developing short, medium and long term financially sustainable plans that continue to support the delivery of SPT's statutory functions and strategic objectives.



## Financial management

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

### Consideration

### Our audit approach

#### Revenue budget 2021/22

In March 2021, the Partnership approved a net revenue budget of £45.912million for 2021/22. The Partnership approved to increase the local authority requisition level by 0.9% from the prior year (£35.462million in 2020/21). 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.
- 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.
- Whether the income loss support grant made available from Transport Scotland in 2020/21 would continue and if so at what level.

The budget assumes additional Covid support grant from Transport Scotland of £9.480million (£12.292million received in 2020/21). The budget also assumes reductions in income from the subway and bus operations. To counter the reduction in income, the budget includes a reduction in contribution to the subway fund. There is

The financial impact of the pandemic has resulted in a reduction in income for SPT. Having robust financial management and longer-term planning arrangements in place is critical to ensuring that it can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

During our 2021/22 audit we will review, conclude and report on the following:

- The achievement of financial targets;
- Whether SPT can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether SPT's Treasury Management Strategy, practices and reporting is in accordance with CIPFA's *Treasury Management in the Public Services Code of Practice*
- The project management arrangements over the subway modernisation programme;
- Whether SPT has arrangements in place to ensure systems of internal control are operating effectively;
- Whether SPT has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and
- SPT's participation and progress in the National Fraud Initiative.

## Consideration

## Our audit approach

no change to fares, fees and charges of SPT services due to the level of uncertainty and the ongoing challenges to encourage patronage increase.

Regular reports are presented to members on the 2021/22 financial position. As at October 2021, the overall position, with subway income and CSG netting off, was a forecast year underspend of £2.801million. It is important to note that when setting the budget for 2021/22 in light of the reduced income forecast, SPT required to significantly reduce budgets including the contribution to the Subway Fund which was reduced by £2.3million compared to our original planned contribution for 2021/22.

The Strategy and Programmes committee acknowledged the need for further work to quantify and manage risk, advance savings and re-phase existing projects is being undertaken to balance spend against budget. Through our audit, we will assess the progress which has been made achieve this balance. The COVID-19 pandemic however has had, and is having an impact, in terms of the financial outturn for 2021/22. Throughout 2021/22, the Partnership has forecast a deficit position that would require financial assistance. Discussions continue with Transport Scotland as to additional funding. Any deficit at the year-end would ultimately require to be funded by SPT general reserves leaving it vulnerable to respond to future challenges. As at 31 March 2021, SPT reported earmarked reserves of £79.146million and non-earmarked reserves of £7.867million.

The most up to date forecast prepared by management suggests that the Partnership will achieve or be close to a breakeven position for 2021/22.

## Consideration

## Our audit approach

### Capital programme

For 2021/22, SPT plans to spend £39.353million, 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.

As at period 7, the actual expenditure incurred on the SPT capital investment programme was £7.037million compared to planned expenditure of £9.507million.

### Subway modernisation programme

Within the overall Subway Modernisation budget of £288.7million, the 2021/22 budget was set at £17.1million at the Partnership meeting on 12 March 2021. As reported to the most recent Strategy & Programmes Committee, this remains the outturn forecast for 2021/22.

To date, £181.7million has been incurred against the total budget of £288.7million on the programme. Overall, despite some slippage during the year, the Subway Modernisation capital programme remains within the approved budget, including programme contingency and available funding.

COVID measures across UK and Europe have continued to restrict and delay contractors' and suppliers' progress, and the restrictions on international travel have prevented or prolonged factory testing activity and delivery of key equipment.

### Treasury management

As at 31 March 2021, SPT's cash and cash equivalents and short term investments held had combined value of £172.328million

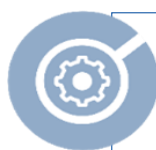
### Consideration

### Our audit approach

(2019/20: £168.521million). 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. In December 2018, it was agreed with Transport Scotland that SPT would not receive any capital funding for the subway modernisation programme in 2019/20 and would use funding previously received to meet capital payments as the fall due. This is also the position for 2021/22, no Scottish Government specific grant funding is due to be received for the subway modernisation programme.

The National Fraud Initiative (NFI) is a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error. The most recent NFI exercise commenced in January 2021, with matches to be investigated by 30 September 2021 and as part of our 2021/22 audit we will monitor SPT's participation and progress in the NFI.





## Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent

### Consideration

The Partnership consists of twenty elected members representing the twelve constituent local authorities in the West of Scotland and between seven and nine appointed members.

A recruitment process consistent with the Scottish Government Public Appointments process was carried out in 2020/21 to appoint six appointed members. The Partnership approved the appointment of four new appointed members and the re-appointment of a further two current appointed members. The appointments commenced from 1 April 2021. Member training was provided to all newly appointed members.

There are no committee structure changes planned for 2021/22. However, Potential changes to the committee structure will be driven by the local elections taking place in May 2022.

In August 2021, allegations were made in the press regarding the conduct of the Chief Executive. In light of these allegations and the reputational impact on SPT, the Chief Executive was suspended with immediate effect. He subsequently took retirement from SPT under normal scheme rules.

In response to the statements made in the press regarding the management of SPT business activities, management has carried out an internal investigation, the outcome of which was reported to the Audit

### Our audit approach

We will review and report on SPT's governance arrangements; considering any changes to those arrangements in response to the pandemic. In particular we will consider whether:

- the revised governance arrangements are appropriate and operating effectively
- there is effective scrutiny, challenge and informed decision making.
- there has been effective transitioning surrounding the senior leadership changes

We will review the arrangements which are in place to prepare for the new partnership during our 2021/22 audit.

## Consideration

## Our audit approach

and Standards Committee on 27 August 2021. No material governance issues for SPT have emerged.

Following the retirement of the Chief Executive, the Assistant Chief Executive was appointed to Interim Chief Executive and the Director of Finance to the proper officer (section 95 officer / Treasurer).

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 2020/21, was updated to consider the impact of COVID-19 on the organisation. During 2021/22, corporate risks from the COP26 summit were considered and incorporated into organisational plans.

During the year, there has been a refresh of various governance documents; including the Standing Orders and the Financial Regulations. These will be subject to approval in 2022/23 once the elections have taken place.



## Value for money

Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

### Consideration

'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.

The development of a new RTS has commenced. The onset of the COVID19 pandemic however necessitated the RTS development process to, in effect, pause in order to consider and understand how best to take into account COVID19-related implications for transport and travel behaviours, and to re-align with national transport processes (including the Strategic Transport Projects Review (STPR2) and the National Transport Strategy Delivery Plan) which were similarly affected by the pandemic.

SPT is currently delivering their Delivery Plan which covers 2021-2022. During the year, there have been on-going discussions over the new RTS Delivery Plan which they hope will set an ambitious but realistic vision towards their strategy of creating a co-ordinated response against the significant challenges facing the transport network for the West of Scotland.

With Glasgow hosting COP26 in November 2021 and the increasing focus on

### Our audit approach

We will review and report on SPT's progress on the development of the RTS and RTS delivery plan.

COVID-19 continues to have a substantial impact on performance. We will evaluate performance reporting in 2021/22 to ensure it is timely, reliable, balanced, transparent and appropriate to user needs.

We will review evidence which demonstrates the achievement of value for money in the use of its resources.

## Consideration

## Our audit approach

sustainable travel, there will be enhanced emphasis on SPT's actions to help meet the Climate Change targets within their new RTS.

SPT published a draft Case for Change report for the Regional Transport Strategy in April 2021; setting out a new vision for a more sustainable, efficient accessible and inclusive regional transport system. There have been five key issues that the new strategy aims to tackle to deliver this vision: Access for All, Active Living, Transport Emissions, Regional Connectivity and Public Transport Quality and Integration. The purpose of this document was to seek views and feedback from their partners and stakeholders on the key outputs of the strategy development process to date.

SPT published an annual report in June 2021 which summarised these key risks. Additionally, this report discusses the impact which Covid-19 has on travel demand and behaviours as well as their commitment towards supporting travel choices.

SPT's services are planned to operate as near to normal as possible in 2021/22 including all project development activities. Patronage remains very low against historical trends and hence farebox income is also significantly lower than previous years.

In the current year; subway patronage has seen an increase from the previous year but as mentioned above significantly lower than pre-Covid time. The most recent report to the Operations Committee reported that subway patronage was up 153.6% on the previous year, but down 35.2% on two years ago.

# Annual accounts – Strathclyde Concessionary Travel Scheme Joint Committee

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## Annual accounts – Strathclyde Concessionary Travel Scheme Joint Committee

### Approach to audit of the annual accounts

#### Risk-based audit planning

85. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.
86. During our audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on the risk assessment.
87. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

#### Independent auditor's report

88. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.
89. We also provide an opinion on the annual governance statement and management commentary<sup>2</sup>.

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<sup>2</sup> SCTS has no employees and no allowances or expenses are paid to committee members. A

### Materiality

90. 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 over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
91. 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 group 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.
92. Performance materiality 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.

remuneration report is therefore not been included within the annual accounts.

93. Our initial assessment of materiality and performance materiality is set out in the table below:

	Materiality £
<p><b>Overall materiality:</b> Our initial assessment is based on approximately 2% of SCTS' 2020/21 gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of SCTS.</p>	26,260
<p><b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p>	19,695

94. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and
- Other misstatements below 5% threshold that we believe warrant reporting on qualitative grounds.

#### Key audit risks in the annual accounts

95. Auditing standards require that we inform the Audit and Standards Committee of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit and Standards Committee if our assessment changes significantly during the audit.

## Exhibit 6 – Key audit risks in the annual accounts

### Management override

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*.

96. In response to this risk we will review SCTS' accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the annual accounts are indicative of potential bias.

### Revenue recognition

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 SCTS 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.

97. SCTS is funded by contributions received from the local authorities within the area served by the Scheme and from a draw on reserves. The funding is set as part of the budget process. These income streams are agreed in advance of the year and any changes require approval. At this stage of our audit cycle, we do not believe the risk of fraud in revenue recognition is material to the financial statements and have therefore rebutted this risk. We will however continue to review this position throughout the audit.



### Risk of fraud in the recognition of expenditure

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.

98. In response to this risk we will evaluate the significant expenditure streams at SCTS and review the controls in place over accounting for expenditure. We will consider SCTS' key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

### Other risk factors

#### Impact of COVID-19 on the annual accounts

99. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the annual accounts. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
100. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.

#### Accounting estimates

101. Changes to ISA (UK) 540 - *Auditing Accounting Estimates and Related Disclosures* which is applicable for accounting periods beginning on or after 15 December 2019 places

increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.

102. As part of the planning stages of the audit we identify all accounting estimates made by management and determine which of those are significant to the overall annual accounts. No significant accounting estimates were identified. We will however revisit our assessment during the fieldwork and completion stages of our audit.

#### Wider scope

103. The Code of Audit Practice (the Code) recognises that planned audit work should be risk based and proportionate to the nature and size of an audited body. The Code recognises that it is not likely to be appropriate or proportionate to apply the full wider scope audit to some small audited bodies.

104. We consider the audit of the SCTS should be carried out under the small body provisions of the Code. We have reached this conclusion through our assessment of:

- The relative size of SCTS;
- The relative simplicity of SCTS' functions; and
- SCTS' risk profile, as informed through discussions with management.

105. Application of the small body provisions of the Code results in a targeted and tailored wider scope audit for SCTS. Our annual audit work on the wider scope will therefore be restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

106. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit. Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

## Exhibit 7 – Wider scope significant risk

### Financial sustainability

The pandemic has significantly impacted on SCTS. In 2020/21, reduced patronage and operator reimbursement, as a result of the pandemic, led to a significant increase in reserves. The Joint Committee however recognise that this favourable financial position is short term and that the Scheme continues to experience longer term financial pressures. There continues to be a level of uncertainty on patronage levels due to the pandemic.

The root and branch review of the Scheme was concluded in 2020/21. The key recommendation from the review was to introduce a 'half fares' structure with capped fares apply to ferry routes and to existing rail 'rural zones'. The intention is that the use of half fares will simplify the Scheme, will reduce the level of reimbursement and increase the longer term financial sustainability of the Scheme.

The new structure will be introduced in financial year 2022/23. However, it has been noted that the implementation of the new fare structure presents a significant change. Given the significance of change, it will be necessary to ensure appropriate steps are taken with regard to preparing for and then introducing the new fare structure in 2022/23, including communications with users and communities and liaising with participating operators with a particular focus on ticketing/technology aspects of the change.

An outline budget for 2022/23 was presented to the Joint Committee in March 2021. The budget for 2022/23 is set at the same level as for 2021/22 (i.e.. fully funded from local authority requisitions of £4.039million plus 0.9%). The budget however does not take into account any fare recommendations following the review of the Scheme. The revised budget 2022/23 will be presented in March 2022.

107. During our 2021/22 audit we will consider the SCTS' financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, along with consideration of implementing the recommendations to the Scheme following the root and branch review.

# Audit outputs, timetables and fees



## Audit outputs, timetable and fee

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of SPT and SCTS.

Audit Scotland has set target dates for 2021/22 which transition to more regular timescales. This is subject to agreement with the Scottish Government, and Audit Scotland will confirm the dates in due course. Audit Scotland has provisionally set a target date of 31 October (which requires a further amendment to the accounts regulations for 2021/22).

We have set out below target months which align to SPT's annual accounts timetable and 2022 schedule of Audit and Standards Committee, Partnership and Joint Committee meetings. We will aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues as a result of the pandemic.

Audit output	Description	Target month	Deadline for submission to Audit Scotland
External audit plan	This report sets out the scope of our audit for 2021/22.	February 2022	31 March 2022
Independent Auditor's Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2022	31 October 2022
Annual Report to SPT and SCTS and the Controller of Audit	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2022	31 October 2022

## Audit outputs

108. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
109. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

## Audit fee

110. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
111. As auditors we negotiate a fee with SPT during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
112. The expected fee set by Audit Scotland for the 2021/22 audit of SPT is £75,370. We propose setting the 2021/22 audit fee at £76,120. The increase of £750 represents an audit fee for the audit and certification of financial information in respect of railway services for the period 1 April 2020 to 31 March 2021.
113. For SCTS we propose setting the audit fee at the expected fee level.

114. The audit fees for the current year and prior year are set out in the tables below:

SPT	2021/22	2020/21
Auditor remuneration	£52,650	£51,570
Pooled costs	£5,410	£4,830
Performance audit and best value	£15,290	£15,230
Contribution to Audit Scotland costs	£2,770	£2,800
<b>Total fee</b>	<b>£76,120</b>	<b>£74,430</b>

SCTS	2021/22	2020/21
Auditor remuneration	£4,770	£4,670
Pooled costs	£500	£440
Contribution to Audit Scotland costs	£250	£260
<b>Total fee</b>	<b>£5,520</b>	<b>£5,240</b>

115. We will take account of the risk exposure of SPT and SCTS and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft

accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

## Audit timetable

116. A summary timetable, including audit outputs, is set out as follows:

<b>JAN 22</b>	●	Planning meeting to inform the 2021/22 audit
<b>JAN 22</b>	●	Interim planning audit visit
<b>FEB 22</b>	●	Presentation of External Audit Plan to the Audit and Standards Committee
<b>MAY 22</b>	●	Accounts presented for audit and final audit visit begins
<b>AUG 22</b>	●	Presentation of our Annual Report on the Audit to the Audit and Standards Committee
<b>SEP 22</b>	●	Annual accounts presented to Partnership for approval

# Appendices





## Appendix 1: Azets

On 7 September 2020, the CogitalGroup of companies (Scott-Moncrieff, Campbell Dallas, Baldwins and Wilkins Kennedy) came together as Azets. Whilst it is a new name, we still deliver the same personal approach to accounting, tax, audit, advisory and business services, digitally and locally.

With over 6,500 advisers and specialists across our office network, we help people and organisations of all shapes and sizes save time, work smarter and achieve their goals. Our job is to give you the support you need so you can focus on what you do best.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

### Your audit management team

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#### Gary Devlin

##### Audit Partner

[gary.devlin@azets.co.uk](mailto:gary.devlin@azets.co.uk)

Gary has over 20 years' experience in undertaking audit work across a wide range of public sector organisations.

Gary will have overall responsibility for the delivery of the audit.

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#### Karen Jones

##### Director

[karen.jones@azets.co.uk](mailto:karen.jones@azets.co.uk)

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.

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## Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, 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. Azets has not been appointed by SPT or SCTS to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets, SPT and SCTS, its Partnership members and senior management that may reasonably be thought to bear on our objectivity and independence.

## Appendix 3: Statement of understanding

### Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of SPT, SCTS and Azets.

### Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant SPT staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for SPT's and SCTS' responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from SPT and SCTS during the course of the audit on matters having a material effect on the annual report and accounts. This will take place by means of a letter of representation, which will require to be signed by the Assistant Chief Executive.

### Internal audit

It is the responsibility of SPT to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform

the National Crime Agency (NCA) if he knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland has extended this responsibility to the Accounts Commission in respect of local government.

We require SPT to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

## Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

## Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

## Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Gary Devlin. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the

attention of the Institute of Chartered Accountants in England and Wales.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

## Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

## Agreement of terms

We shall be grateful if the Audit and Standards Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



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We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.  
**Accounting | Tax | Audit | Advisory | Technology**

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