



**Final Internal Audit Report**  
**Highways & Transportation**  
**Concessionary Fares 2019/20**

## **1. Introduction**

- 1.1 An audit has been completed of Concessionary Bus Fares paid by Swansea Council in 2018/19. The budget for Concessionary Fares is over £7.5m with approximately 82% of the expenditure being funded by Welsh Government.
- 1.2 The audit is carried out at the request of the Council's Integrated Transport Unit and checks the number of journeys claimed by bus operators to the number of journeys recorded by the ticket machines on their buses.
- 1.3 The objectives of the audit were to confirm that the internal controls and financial management and procedures relating to Concessionary Bus Fares are adequately controlled, operating effectively, and comply with the requirements of the scheme.
- 1.4 Concessionary Bus Fares is audited annually and in the 2018/19 audit there were two recommendations made and the assurance level awarded was 'Substantial'.
- 1.5 Detailed findings are recorded below and the recommendations arising are included in the attached Management Action Plan.

## **2. Work Done / Findings**

- 2.1 Visits were made to the administrative bases of two operators operating local bus services in Swansea. These were First Cymru and NAT.

### **First Cymru**

- 2.2 This is the biggest operator serving Swansea, and accounts for over 90% of the Council's expenditure (£7.4m in 2018/2019). There is a significant amount of data available. A sample of twenty dates in 2018/19 was selected for testing and a variance in the amounts claimed was found for 19 of the dates - an error rate of 95%. These errors comprised of the following:

- a) On 14 dates, the number of journeys claimed was less than the ticket records held by First Cymru. The total number of concessionary fares under claimed in our sample was 382.

- b) On 5 dates, the number of journeys claimed exceeded the ticket records held by First Cymru. The total number of concessionary fares over claimed in our sample was 34.

2.3

Earlier in 2019/20, officers in the Integrated Transport Unit were advised by First Cymru that Scholars' tickets were incorrectly being classed as Concessionary Fares and that these were included in claims made to the Council. First Cymru had subsequently completed a check of 2018/19 claims discovered that Scholars' tickets were also included in the claims made during that year. At the time of the audit, a credit note had not been issued for the amounts over claimed.

2.4

During the audit, testing was also undertaken on cross-boundary bus services to ensure that concessionary fares had been reclaimed from the correct Council.

2.5

It was found in this testing that for services X10, 8 and 10, Concessionary Fares from bus stops in the Neath Port Talbot County Borough Council area were being claimed from City & County of Swansea.

**New Adventure Travel (NAT)**

2.6

A visit was made to this operator's Swansea depot and it was found that the data from the ticket machines used by this operator accompanied the monthly claim sent to the Council so no additional detail testing was required.

2.7

The information provided to the Transport Team consists of both a monthly summary, and a daily listing of tickets issued. It was noted however that a daily listing had not been provided for January 2019, although it was confirmed that the amount claimed was reasonable and within the expected range.

### 3. Conclusion

- 3.1 The Internal Audit Section operates a system of Assurance levels which gives a formal opinion of the achievement of the service's/system's control objectives. The Assurance levels vary over four categories: 'High', 'Substantial', 'Moderate' and 'Limited'.
- 3.2 Recommendations arising from this review are detailed in the attached Management Action Plan. Each recommendation has been prioritised according to perceived risk – High, Medium, Low and Good Practice. The overall Assurance level is based on the recommendations made in the report.
- 3.3 The description of each type of recommendation and also the basis for each of the Assurance levels is noted in **Appendix 1**.
- 3.4 Based on the audit testing undertaken, it was found that procedures in operation at First Cymru, the biggest bus operator serving Swansea, in relation to their monthly claim submissions contained a significant number of disparities.
- 3.5 As a result, an Assurance Level of '**Moderate**' has been given. This indicates that 'the ineffective controls represent a significant risk to the achievement of system objectives'.
- 3.6 We will contact you in due course to confirm that you have implemented the agreed recommendations.
- 3.7 This audit was conducted in conformance with the Public Sector Internal Audit Standards.

## Classification of Audit Recommendations

<b>Recommendation</b>	<b>Description</b>
High Risk	Action by the client that we consider <b>essential</b> to ensure that the service / system is not exposed to <b>major risks</b> .
Medium Risk	Action by the client that we consider <b>necessary</b> to ensure that the service / system is not exposed to <b>significant risks</b> .
Low Risk	Action by the client that we consider <b>advisable</b> to ensure that the service / system is not exposed to <b>minor risks</b> .
Good Practice	Action by the client where we consider <b>no risks</b> exist but would result in better quality, value for money etc.

## Audit Assurance Levels

<b>Assurance Level</b>	<b>Basis</b>	<b>Description</b>
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice.	There is a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk.
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk.	The ineffective controls represent a significant risk to the achievement of system objectives.
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk.	The ineffective controls represent unacceptable risk to the achievement of the system objectives.

**CITY AND COUNTY OF SWANSEA  
MANAGEMENT ACTION PLAN  
HIGHWAYS & TRANSPORTATION:  
CONCESSIONARY FARES 2019/20**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
<b>First Cymru</b>					
2.2	Officers in the Integrated Transport Unit should liaise with First Cymru to establish the reason(s) for the variances found.	HR	Agreed – A further meeting with First Cymru and a representative from E P Morris is planned for 3 <sup>rd</sup> March 2020.	BMG	Early March 2020
2.2 a) & b)	When the reason(s) for the variances are rectified, First Cymru should re-calculate and submit all claims from April 2018 to date.	MR	Agreed - First Cymru has already re-calculated its 2018/2019 claims for each depot and these suggest a total overclaim in the region of £24.2k. Claims for each depot for 2019/2020 to date have also been re-calculated, and these suggest an overclaim in the region of £6.6k.	BMG	Already implemented, but to be verified in detail at meeting on 3 <sup>rd</sup> March 2020
2.3	A credit note should be obtained from First Cymru for Scholar's tickets claimed in error.	LR	Agreed - This has been received subsequent to the audit.	BMG	Already implemented
2.5	First Cymru should amend their records to ensure that bus stops served by X10, 8 and 10 are recharged to the correct Council.	GP	Agreed - First Cymru has indicated that this exercise has already been completed but proof is to be requested.	BMG	Early March 2020

**Appendix A**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
<b>NAT</b>					
2.7	A daily listing of tickets issued should accompany all monthly claims received.	GP	Agreed.	BMG	March 2020