



Internal Audit Report

**Final Report
Concessionary Travel
2007/2008**

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South West Audit in Partnership with



Management Summary

At the request of the Somerset Group of Finance Officers a review was carried out of the Concessionary Travel Scheme administered by Somerset County Council on behalf of the District Councils.

The review focused on the two elements of the scheme in operation across Somerset:-

- The issue of valid concessionary travel fares by First Group.
- The correct billing By First Group of Somerset County Council for concessionary travel undertaken by somerset residents on its buses.

Conclusions

Weaknesses were identified in the processes for checking the accuracy of the concessionary travel pass usage figures supplied by First Group. The main issues requiring management attention are:

- No independent checking of First Bus usage data;
- Lack of Understanding within Districts / Somerset County Council on how First Group calculate the average fare;

Details of these findings are contained within the main body of this report.

Matters for attention

1 Calculation of the average fare

1.1 Prior to the commencement of the audit anecdotal evidence had been identified by some of the Somerset Districts that on occasions users of the Council's scheme were being issued with tickets that did not match their journeys. For example a user boards a bus in the centre of Yeovil, takes the bus across town before alighting, however the bus ticket they have been given relates to a longer trip (i.e. to another destination not on the route travelled). From observations made during the audit and conversations with the Management Accountant (Avon and Somerset) from First Group it was concluded that there is no risk to the Council and no detailed testing was performed in this area in terms of checking passenger tickets. This is because the calculation of the average fare used to invoice the Council only takes into account fare paying passengers from that bus journey only, regardless of where they get on or get off the bus. Even through this was not tested specifically within this review no examples of this practice were observed when looking at the management information provided by First Group for the bus journeys tested during the audit. This is an important point because the lack of understanding regarding the calculation of concessionary fares across all of the Somerset Councils has resulted in an unnecessary leaflet being produced for pensioners instructing them to check the validity of their ticket.

It can be argued that the Councils are wasting their efforts as fare paying customers should have been the focus of this advertising campaign. This is because although they would complain if they were being over charged they would not necessarily check their tickets to ensure they have been issued a fair paying ticket rather than a concessionary fare.

In recognition of this risk which exists at an individual driver level, there are several controls in place to try and prevent any potential for fraud or loss to both the Councils and First Group (First get reimbursed 72% of the cost of an average ticket for the route travelled). We were informed by the Financial Director from First Group that this is serious concern to First and to that end £100,000 of extra funding has been invested by First Bristol, Somerset and Avon demonstrating its commitment to revenue protection services. It is important to note that these services protect both the Council and the operating company. First Group have also trained up local supervisory staff to undertake revenue protection in Somerset since the start of the new Concessions scheme in April 2006.

During the audit the invoice for July 2007 supplied by First Group was tested for accuracy. It appeared at the time of the review that the incorrect basis was being used to calculate the average fare charged to Somerset County Council.

Due to a court ruling in Devon last year the methodology for calculating the average fare was changed to include not only the value of any single fares taken on an individual trip but also any return tickets issued.

The change was made in June 2007 but not included in the July 2007 invoice. This change was not picked up by staff at Somerset County Council but was identified by First as part of their October 2007 review of their concessionary invoicing processes. A credit note was issued covering the period April to August 2007.

- 1.1a The Group Manager (Transporting Somerset) has agreed to work in partnership with the bus companies to revisit the “check your ticket” leaflet to ensure it addresses the risk that exists with reference to paying customers.**
- 1.1b The Group Manager (Transporting Somerset) has agreed to undertake a comparison of how the Council is currently charged regarding the calculation of the average fare as compared to other local First Bus schemes.**

2 Training of drivers to deal with Concessionary Travel Passes

- 2.1 A meeting was held between auditors and the Management Accountant (Avon and Somerset) and the Financial Director from First Group. It was established that all drivers are given induction training and that as part of this training they are told passengers must produce a bus pass before they are issued a concessionary fare.

We were also informed that there are copies of all valid district bus passes displayed on the notice boards at the bus depots to ensure staff are aware of what these passes look like.

The drivers are aware that there are different bus passes in circulation for schemes operated by separate councils, usage against these schemes is separately accounted for by on First Group buses.

During the testing of a sample of bus routes across Somerset drivers were observed correctly checking Somerset Concessionary Travel Scheme passes in all cases where travel was undertaken.

Limits on the usage of the passes in terms of the time of day travelled were also observed during testing as being correctly applied by First Group drivers. For example the 08:45 bus to Yeovil was sampled and 2 passengers who boarded with passes were informed that they couldn't use them before 09.00am

3 Outcome from audit testing of bus trips.

- 3.1 10 journeys were sampled in total covering a variety of routes throughout Somerset across the five District Council areas. The selection of routes and journey times was intended to test that the passes issued by or behalf of the District Councils were being used in accordance with their terms and conditions. Peak routes were deliberately selected to ensure the best use was made of our time, this allowed us to verify a larger proportion of the bill claimed by First Group. We recorded the number of passengers that boarded the buses and used passes. The results from these trips were then compared against actual journey information that was provided to us after the journeys were completed. We can confirm that where concessionary bus passes were shown customers were issued tickets in all cases and the passes were used in accordance with scheme terms and conditions.

The results from the series of bus journeys made are summarised as follows:-

- 114 Concessionary Travel Pass holders observed boarding buses
- 115 Concessionary Travel Pass holders claimed by First Group

This represents an error rate of under 1% which is acceptable given that it was difficult on occasions to ensure that audit observations were 100% accurate due to the number of customers boarding buses.

First Group have a significant range of internal control mechanisms in place to record bus usage data both within their administrative offices at Bristol and in the point of sales systems employed within the buses. We tested these systems as part of the audit review and found them to be robust.

4 Calculation and payment of monthly First Group invoices

- 4.1 After discussions with the Operations Manager (Transporting Somerset) it was established that usage statistics are received by Somerset County Council from First Group and these are tabulated alongside the figures received from other operators.

A reasonableness test is performed when the figures are analysed by staff with the IPT Unit at Somerset County Council on a monthly basis and sent to all the districts. An annual spreadsheet is also produced which details the contributions to be made by all districts for the concessionary fares claimed from all the bus operators.

The values claimed from the operators are contained within a separate spreadsheet.

It must be noted that despite the passing of figures between the bus operators, the County Council and the District Councils, none of the Somerset Councils were aware of how the average fare for concessionary usage was calculated and were simply paying the bills as they were received again in the believe that they are accurate.

I tested the invoice supplied by First Group to Somerset County Council for July 2007. I am happy with the processes that First Group have in place to calculate the July figures and was able to trace source data supplied by First right the way through back to the invoice.

5 Independent checking of travel data provided by First Group

5.1 Through conversations with the responsible officers at the client authorities (Nigel Collins at SSDC, Gill Croucher at TDBC, Helen Gimbert at SDC, Nicola Keyworth-Wright at MDC and Julie Churchman at WSC) it was established that none conduct any form of independent travel audit. The general consensus amongst the districts appears to be that as in the case of Taunton Deane and Mendip (where Somerset County Council are administering the service on their behalf) they simply pay the invoices when they are received placing reliance on Somerset County Council to undertake the necessary checks.

Through discussion with Mark Pedlar Group Manager (Transporting Somerset) it was established that there used to be spot checks on the buses to ensure tickets were being issued correctly. However the last checks were conducted a few years ago and no evidence of these checks has been retained nor was there any documentation explaining what was tested.

There is a risk that the Council could be charged for an excessive number of concessionary fares as there has been no interrogation of the bus company figures by the County Council.

5.1a The Group Manager (Transporting Somerset) has agreed to arrange for the re-introduction of regular random checking of bus routes to ensure that the figures being supplied by First Bus are accurate.

Level of Discussion

Main discussions took place with:

Mark Pedlar – Group Manager Transporting Somerset
Kevin Davies - Management Accountant for Avon and Somerset (First Group)
Amelia Price - Financial Director (First Group)
Concessionary Travel Administrators Somerset Districts:-
Nigel Collins at SSDC
Gill Croucher at TDBC
Helen Gimbert at SDC
Nicola Keyworth-Wright at MDC
Julie Churchman at WSC

I would like to record my thanks to this officer and others whose help and co-operation has been appreciated.

Chris Gunn – Group Auditor
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February 2008