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Chartered Accountants

Tayside and Central Scotland Transport Partnership: Tactran

**Report to Members and the
Controller of Audit**

2010/11

External Audit Report No: 2011-01

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Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of Tayside and Central Scotland Transport Partnership's (Tactran) financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Tactran and the Tactran Board and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



1. Executive Summary

Finance

1. Our opinion on the financial statements is unqualified. The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2010 Code, of the financial position of Tactran and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
2. The Partnership's Income and Expenditure Account shows a surplus position for the year of £0.092 million. After adjusting for amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance, a nil surplus / nil deficit position was achieved in compliance with The Transport (Scotland) Act 2005.
3. Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with Financial Reporting Standard (FRS) 17 – Retirement Benefits the estimated pension liabilities provided by the Actuary at 31 March 2011 exceeded its share of assets in the scheme. At 31 March 2011 the excess of liabilities over assets, as advised by the scheme Actuary, amounted to £0.490 million (31 March 2009: £0.848 million).

Governance

4. The Tactran Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of the Partnership's performance. Officers provide the Tactran Board with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.
5. During the year a review of Tactran's governance arrangements was undertaken which resulted in revised Partnership's Standing Orders, Financial Regulations, Member's Code of Conduct, Risk Management Policy and Scheme of Delegations being approved on 21 June 2011. These documents have been aligned with the Single Outcome Agreement (SOA) governance where applicable.
6. The Partnership has considered the need for a Local Code of Corporate Governance and an Annual Governance Statement and has concluded that the updated Governance framework remains appropriate for the scale and current role and responsibilities of the Partnership. The Partnership should reconsider the need for an AGS should there be any significant alteration or increase in its current role and responsibilities.
7. Information to comply with the Public Services Reform Act 2010 was approved by the June 2011 Board meeting and is available on the Partnership's website.
8. Support services are provided by Perth & Kinross Council. A Service Level Agreement (SLA) is currently in place with the Council for Payroll services and Information Technology (IT). In 2009/10 we reported that SLAs for other support services were currently being developed in conjunction with relevant Council departments. In 2010/11 no further SLAs had been finalised. Management should ensure that the outstanding SLAs are finalised as soon as practical.

Performance

9. Tactran's Regional Transport Strategy (RTS) sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the period to 2023. Sub-strategies have been developed covering Walking and Cycling; Buses; Travel Information; and Park and Ride.



1. Executive Summary

Performance (Cont'd)

10. Annual performance reports are published including the Approved RTS Monitoring Framework which provides baseline and up to date information for 24 indicators across the RTS objectives. The 2010/11 Annual Report is expected to be presented to the December 2011 Board meeting.
11. As noted last year the funding situation remains a key risk area for the Board. The information the Board currently receives for approving and monitoring Capital and Revenue funding, together with other ad-hoc reporting by officers should allow members to continue to monitor the position closely.
12. Tactran's proposed Core Revenue budget for 2011/12 has identified 3% savings on 2010/11 with all costs projected to be on budget in 2011/12. Discussions with partner Councils are proposed, with a view to identifying further opportunities where Tactran can contribute to addressing anticipated public sector funding pressures in future years through shared services and other efficiency opportunities.
13. During the year work has been undertaken with Community Planning Partnerships to ensure that the Partnership's activity and Revenue and Capital programmes maximise the partnership's contribution to the successful delivery of SOA outcomes. The Partnership recognises that this is a significant and growing area of work.
14. The Partnership is currently considering the Audit Scotland report *Transport for health and social care* to ensure its key messages and recommendations are recognised in the work on taking the regional Health & Transport Action Plan forward.

Acknowledgements

15. Our audit has brought us in contact with Tactran staff and accountants from Perth & Kinross Council assigned to facilitate the accounts preparation. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us in the discharge of our duties.



2. Introduction

Introduction

16. We are pleased to submit our fifth annual report, covering significant matters arising during the course of our audit of Tactran for the year ended 31 March 2011. The report incorporates the communication of findings from the audit required by International Standard on Auditing (ISA260): *Communication of Audit Matters with Those Charged with Governance*.
17. The framework under which we operate under appointment by Audit Scotland is set by our letter of appointment, the Local Government Acts, (primarily Part VII of the Local Government (Scotland) Act 1973), auditing standards, Audit Scotland's Code of Audit Practice and ad hoc guidance.
18. This framework provides all bodies within the Public Sector with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance. The respective responsibilities of members, officers and auditors are set out in Appendix I of this report.
19. Broadly the scope of our audit was to
 - provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
 - review and report on Tactran's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Partnership's financial position; and
 - review and report on Tactran's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value.
20. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Partnership.
21. As part of our overall planning approach to the Partnership's annual audit we carried out a review of the key risks, national and local, facing the Partnership and we have continued to monitor these risks during the year through attendance at Partnership meetings, review of minutes and discussions with officers. Where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
22. This report summarises our findings from our 2010/11 audit of Tactran. The findings are set out in three sections: Finance, Governance and Performance.
23. Follow-up of last year's action plan is at Appendix IV. All actions are complete except one relating to Service Level Agreements. This action has been included in the action plan at Section 6. There are no new actions arising from the 2010/11 audit.
24. We take this opportunity to remind you that external auditors do not act as a substitute for the Partnership's own responsibility for putting in place 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 efficiently, economically and effectively.



3. Finance

Financial Statements Audit

25. We have given an unqualified opinion on the financial statements of Tactran for the year ended 31 March 2011. A copy of our proposed auditors' report is included at Appendix II.
26. We set out below a summary of the audit certification issues:
- the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2010 Code, of the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2011 and the income and expenditure of Tayside and Central Scotland Transport Partnership for the year then ended;
 - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973; and
 - the Statement on the System of Internal Financial Control complies with the Code. We were not required to consider whether the statement covers all risk and controls or form an opinion on the effectiveness of the Tactran's corporate governance and risk and control procedures.
27. Non-compliance with statute or regulations may materially affect the financial statements. Our audit procedures include the following:
- reviewing minutes of relevant meetings;
 - enquiring of senior management the position in relation to litigation, claims and assessments; and
 - detailed testing of transactions and balances.
28. We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.
29. We also request written confirmation from the Treasurer and the Partnership Director that Tactran's financial transactions accord with relevant legislation and regulations. They have confirmed that they are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the Partnership to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2011.



3. Finance

30. Under ISA 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the table below:

Table 1: ISA 260 Reporting

Area	Key Messages
Nature and scope of audit	We planned our audit in accordance with International Auditing Standards and the Code of Audit Practice. There were no new audit matters of governance interest to communicate to Board members this year and therefore a detailed Annual Audit Plan was not prepared for 2010/11.
Integrity and objectivity of the audit engagement partner and audit staff	As external auditors, we are required to communicate on a timely basis all facts and matters that may have a bearing on our independence. We provided no consultancy or non-audit services to Tactran during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.
Accounting policies and practices	<p>In our opinion there is an issue that requires to be brought to your attention regarding the appropriateness of the Partnership’s accounting policies and practices as it has a material impact on the financial statements. Tactran’s Balance Sheet at 31 March 2011 has an excess of liabilities over assets of £0.490 million (31/03/10 £0.848m) due to the accrual of pension liabilities in accordance with IAS19 – Employee Benefits. The Partnership has adopted a ‘going concern’ basis for the preparation of the financial statements as constituent authorities of the Partnership are required to meet all liabilities of the Partnership as they fall due. We are satisfied that the process which the Partnership has undertaken to consider the organisation’s ability to continue as a going concern is reasonable.</p> <p>Other minor issues noted during our work have been discussed with officers.</p>
Material Risk and exposure	<p>The Transport (Scotland) Act 2005 requires constituent councils to meet RTP’s net expenses for the financial year. This means expenditure of RTPs will always be equal to income in any one year, and accordingly they cannot make an in-year surplus or deficit. For 2010/11, following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position.</p> <p>As reported last year, and elsewhere in this report, Council Budget and funding decisions have resulted in only partial commitment of the funding necessary to deliver the RTS Delivery Plan Programme. In particular, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils and has implications for the effective operation of the Partnership.</p> <p>There are no other issues relating to these risk areas that require to be brought to your attention. Comment on these issues is included within this report.</p>



3. Finance

Audit Adjustments	<p>No audit adjustments were identified during the course of our audit of the financial statements although a small number of presentational changes were made.</p> <p>Definitions of material, significant and trivial are provided at Appendix III.</p>
Unadjusted Misstatements	<p>There were no unadjusted misstatements (other than those which are trivial).</p>
Material Uncertainties	<p>There are no material uncertainties related to events and conditions that cast significant doubt on the Partnership's ability to continue as a going concern. While there is a negative net asset position in Tactran's Balance Sheet, this is due to the pension scheme liability. As there are arrangements in place for the funding of the deficit, the financial position of the Partnership remains assured, and therefore the going concern basis for accounting is appropriate.</p>
Fundamental Disagreements	<p>There are no areas of disagreement with management that, individually or in aggregate, have a significant impact on the financial statements and our audit report.</p>
Modifications to our audit report	<p>There are no modifications to our audit report.</p>
Material Weaknesses	<p>No material weaknesses in the accounting and internal control systems were identified during the audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.</p>
Other matters relevant to the audit	<p>There are no other matters specifically required by other auditing standards which need to be communicated.</p>

3. Finance

Financial Position

31. The Transport (Scotland) Act 2005 requires constituent Councils to meet RTPs net expenses for the financial year. This means that the expenditure of RTPs will always be equal to income in any year, and accordingly they cannot make an in-year surplus or deficit.
32. For 2010/11, following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position.

Financial Performance

33. For 2010/11 Tactran had an overall revenue budget of £0.815 million made up of a Core budget of £0.430 million (£0.230 million from the Scottish Government and £0.200 million from the four constituent Councils in proportional amounts) and funding of £0.385 million from the Scottish Government to support development and implementation of the RTS.
34. Financial performance can be measured against the financial budget set by the Tactran Board for 2010/11. The final reported outturn in the 2010/11 financial statements shows an under-spend of £0.005 million in relation to Highways and Transport Services. The under-spend was due to reduced expenditure on the RTS budget of £0.005 million.

Accounting system

35. For 2010/11, the accounting system continued to be maintained on simple spreadsheets. Whilst this system is appropriate for the current scale of the organisation an enhanced financial system should be considered for future years as the Partnership evolves.

Pensions

36. Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with IAS 19 – Employee Benefits the estimated pension liabilities provided by the Actuary at 31 March 2011 exceeded its share of assets in the scheme. At 31 March 2011 the excess of liabilities over assets, as advised by the scheme Actuary, amounted to £0.490 million (31 March 2010: £0.848 million).
37. The liability is due to the accrual of pension liabilities in accordance with IAS 19.

Reserves and Balances

38. RTPs cannot carry a balance on their General Fund as, due to the way they are funded, income is restricted by statute to the amount of the expenditure. Accordingly the balance on the General Fund at 31 March 2011 is nil.
39. A specific Pensions Reserve has been created to match the estimated net pension liability. The balance on this reserve at 31 March 2011 was £0.490 million (31 March 2010: £0.848 million).

3. Finance

International Financial Reporting Standards

40. As required by the Code, International Financial Reporting Standards (IFRS)-based financial instrument standards have been adopted for the first time in 2010/11.
41. An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaced the SORP from 2010/11, when local authorities and joint boards were required to fully adopt IFRS. The Code applied from 1 April 2010 and through our review of Tactran's restatement workings we are satisfied that Tactran have made the necessary arrangements during 2010/11 in order to comply with the new requirements of the Code.

Whole of Government Accounts (WGA)

42. According to WGA guidance there is no requirement for audit of WGA accounts if under £50m (either Fixed Assets, gross expenditure or net assets / liabilities). Tactran's financial statements submitted for audit meet the 'no audit' levels for WGA accounts.

4. Governance

General

43. The Tactran Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of Partnership's performance. Officers provide the Tactran Board with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate. From our attendance at meetings we have observed a good level of information provided to members, and a good level of discussion and scrutiny.

Board Membership

44. There were no changes to the 10 Councillor members of the Board during 2010/11, all of whom are appointed until the next Council elections in May 2012. Mr Ken Armstrong replaced Professor Tony Wells as the Health sector representative member in March 2011. The term of Mr Bill Wright's appointment as a non-Councillor member was extended for a further 2 years until September 2012 and Mr David Scotney was appointed as a non-Councillor member from September 2010, initially for a 2-year term until September 2012.

Board and Committee Meetings

45. The Tactran Board met four times during 2010/11, receiving quarterly monitoring reports on the Capital and Revenue Programmes; reports on the proposed development of a Regional Transport Model; updates on the sub-Strategies for Travel Information, including development of a Regional Bus Information Strategy (new in 2010/11); Park & Ride strategy; Tay Estuary Rail Study; Travel Planning; the regional Health and Transport Action Plan; the regional Freight Action Plan; development of Demand Responsive Transport proposals; Key Agency input to the emerging TAYplan Strategic Development Plan and Local Development Plans; responses to a number of national and local consultations; and reports on other matters of relevance to the role and work of the Partnership, including involvement with Councils and Community Planning Partnerships on their Single Outcome Agreements and working with other RTPs and Transport Scotland on strategic transport issues. The Board also approved the Revenue budget for 2011/12.
46. The Partnership Board continues to carry out the functions of the audit and scrutiny committee and we are satisfied that this arrangement remains suitable.
47. The Executive Committee, which comprises one member from each of the constituent Councils and one non-Councillor Member, meets as required to discuss business requiring attention outwith the normal Board meeting cycle. The Executive Committee was required to meet once during 2010/11, in November 2010.

Chief Officers and Staff

48. There were no changes in the Board's officers during 2010/11 however the Board has a new Treasurer from 1 July 2011.

Governance Framework

49. During the year the Partnership continued to develop its corporate governance documentation and policies. The June 2011 Board meeting considered report RTP/11/14 Review of Governance Policies and Procedures. This presented updated Standing Orders, Scheme of Delegation, Members Code of Conduct, Financial Regulations and Risk Management Strategy and Register for approval. It was also agreed that the Governance policies and procedures should be reviewed not less than 2-yearly.

4. Governance

50. The report also considered the production of an Annual Governance Statement, creation of a Code of Corporate Governance and the requirements of the Public Services Reform Act 2010. (see below).

Annual Governance Statement

51. *Delivering Good Governance in Local Government* published jointly by, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement (AGS). Tactran has opted not to introduce this during 2010/11.
52. The Partnership has considered the need for an AGS and has concluded that the updated Governance framework remains appropriate for the scale and current role and responsibilities of the Partnership. In addition the Public Services Reform Act 2010 places new duties on the Partnership to publish additional information on its finances and activities annually. The Partnership is therefore of the opinion that there is no need to supplement existing Governance procedures with an Annual Governance Statement at this time. The Partnership should reconsider the need for an AGS should there be any significant alteration or increase in its current role and responsibilities.
53. Information to comply with the Public Services Reform Act 2010 was approved by the June 2011 Board meeting and is available on the Partnership's website at www.tactran.gov.uk

Internal Control

54. Support services are provided by Perth & Kinross Council. SLAs are currently in place with the Council for Payroll services and IT. SLAs for other support services (Secretariat, Financial, Legal, Human Resources) are currently being developed in conjunction with relevant Council departments. At its meeting on 22 September 2009 the Partnership granted delegated authority to the Director to conclude SLAs with Perth & Kinross Council covering these services with no further progress towards finalising SLAs having been made in 2010/11. For the first four years of the Partnership's existence costs have been agreed through officer negotiation, with the aim of moving to formalised SLAs as the Partnership evolved. The delay in finalising the outstanding SLAs has largely been due to budget constraints requiring Tactran to bring aspects of these services in-house. For example, the Tactran Office Manager now performs Secretariat duties such as co-ordinating the issue of Board papers and taking minutes. The new arrangements require to be fully reflected in the SLAs before finalising.

R1 Management should ensure that the outstanding SLAs with Perth & Kinross Council are finalised as soon as practical.

55. No internal audit services were provided by Perth & Kinross Council's Internal Audit team for 2010/11 as there is no longer a requirement for grants received to be audited.

Fraud and Irregularity

56. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
57. At a corporate level, the Partnership has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, anti-fraud and anti-corruption policies, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.

5. Performance

General

58. Performance against strategy implementation and various action plans is regularly reported to, and discussed by, the Partnership at Board meetings. In June 2011 the Partnership also published financial and activity information to comply with the Public Services Reform Act 2010.
59. Annual performance reports are published, the latest being for 2009/10. The 2009/10 report summarises progress with strategy implementation and priority projects and discusses involvement at national regional and local level. The report also includes the Approved RTS Monitoring Framework, first included in the Annual Report for 2008/09. Baseline and 2009/10 information is shown for 24 indicators across the RTS objectives. The 2010/11 Annual Report is expected to be presented to the December 2011 Board meeting.

Regional Transport Strategy

60. Tactran's Regional Transport Strategy (RTS) sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the period to 2023. Sub-strategies have been developed covering Walking and Cycling; Buses; Travel Information; and Park and Ride.
61. A significant number of initiatives were progressed during 2010/11 as part of the RTS Development and Implementation (Revenue) Programme. Under the Travel Information sub-strategy, a Regional Travel Information Gateway website www.tactranconnect.com was launched on 20 May 2010, which is the first of its kind in Scotland and an example of good practice. The website combines existing data sources on one site for easier access and therefore requires no additional resource input from partner agencies. There are links to bus and rail timetables as well as station locations and information on planning a car journey, lift-sharing, walking, cycling, taxis and air travel. The website is aimed at engaging a wider audience than individual local websites through the range of multi-modal information provided. Any future additional links can be easily integrated. The website was advertised through various media including press, radio and distribution of leaflets to key stakeholders.
62. During 2010 changes were made to the Scottish Government's guidance on Regional Transport Strategies. The original guidance would have required a review of the strategy early in 2012, however the revised guidance requires the strategy to be kept under review and modified or renewed as appropriate without specifying a timeframe for revision. The Partnership has kept the strategy under review during 2010/11 and has undertaken work maintaining links with Council SOAs and Strategic and Local Development Plans. It is intended that a review of the RTS will be undertaken alongside development of the second iteration of the TAYplan Strategic Development Plan and the 6 Local Development Plans covering the Tactran region, potentially during 2013/14.

Delivery Plan

63. As previously reported the former RTP Capital Grant is no longer ring-fenced, being allocated directly to constituent Councils from 1 April 2008. This has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils and has implications for the effective operation of the Partnership.
64. The Partnership agreed with Perth & Kinross Council and Dundee City Council a proposed programme of schemes utilising the equivalent former RTP Capital Grant allocations for 2010/11. Angus Council and Stirling Council declined the Partnership's request to contribute shared funding however Angus Council allocated its former RTP Capital Grant funding for 2010/11 to RTS road and public transport projects in its area. In addition, elements of Stirling Council's General Capital Programme for 2010/11 supported delivery of the Tactran RTS. A summary of progress and the projected outturns for these programmes was presented to Partnership meetings in September and December 2010 and March 2011.

5. Performance

2011/12 Core Revenue Budget

65. Tactran's proposed Core Revenue budget for 2011/12 has identified 3% savings on 2010/11 with all costs projected to be on budget in 2011/12. Discussions with partner Councils are proposed, with a view to identifying further opportunities where Tactran can contribute to addressing anticipated public sector funding pressures in future years through shared services and other efficiency opportunities
66. As noted last year the funding situation remains a key risk area for the Board. The information the Board currently receives for approving and monitoring Capital and Revenue funding, together with other ad-hoc reporting by officers should allow members to continue to monitor the position closely.

Single Outcome Agreements (SOAs)

67. The Partnership has continued to be heavily involved with all relevant SOAs. Progress reports highlighting where the Partnership is either contributing directly to or has a potential role to play in fulfilling national or local SOA outcomes, or where there are links with the RTS objectives were taken to the September and December Board meetings.
68. During the year work has been undertaken with Community Planning Partnerships to ensure that the Partnership's activity and Revenue and Capital programmes maximise the partnership's contribution to the successful delivery of SOA outcomes. The Partnership recognises that this is a significant and growing area of work.

Transport for Health and Social Care

69. Audit Scotland published *Transport for health and social care* in August 2011. The report looks at transport arrangements made by the ambulance service, NHS Boards and Councils, and considers the role of Regional Transport Partnerships in strategic planning for this area.
70. The Partnership has undertaken considerable work to prepare an Action Plan to improve service delivery for four key linkages between transport and health. Stakeholder involvement was ensured through a series of workshops. Progress with the Health & Transport Action Plan has been reported regularly to the Board. A draft report was prepared for stakeholder comment in May 2011. The final report, including action plans for the Partnership, Councils and NHS bodies was issued in July 2011. The Partnership is currently considering the Audit Scotland report to ensure its key messages and recommendations are recognised in the work on taking the regional Health & Transport Action Plan forward.

Risk Management

71. During 2010/11 Tactran's Financial Regulations required the Treasurer to assess the risks faced by the Partnership and, in consultation with the Partnership Director, maintain a risk register that includes an assessment of the importance and likelihood of each eventuality and the most appropriate course of action in each case. A new Risk Management Policy and Strategy was approved in June 2011.
72. The Partnership Director and other Tactran professional officers are required to promptly inform the Treasurer of any new risks within their area of responsibility that may come to light.
73. At June 2011 work was ongoing on the development of an updated risk register which will be reported to a future meeting of the Board. It is intended to report the Risk Register not less than annually, or as new risks or revisions to assessed risks are identified.



6. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
54	R1 Management should ensure that the outstanding SLAs with Perth & Kinross Council are finalised as soon as practical.	C	The Partnership Director and Treasurer are reviewing SLAs to take account of efficiency savings targets contained within the approved 2011/12 Revenue Budget.	Y	Director	31 December 2011

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Issues which require the consideration of the Tactran Board;
- B Significant matters which the Partnership Director or other senior officers can resolve;
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.



Appendix I Respective Responsibilities

Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Partnership and the Treasurer's responsibilities for the Statement of Accounts are set out at page 10 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report that opinion to you.

We are required to review whether Tactran's Statement on the System of Internal Financial Control reflects the Partnership's compliance with the Code, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risk and controls, or form an opinion on the effectiveness of the Tactran's corporate governance procedures or its risk and control procedures.



Appendix II

Independent Auditors' Report (Proposed)

Independent auditors' report to the members of Tayside and Central Scotland Transport Partnership and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Tayside and Central Scotland Transport Partnership for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and Auditors

As explained more fully in the Statement of Responsibilities set out on page 10, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the Partnership as at 31 March 2011 and of the income and expenditure of the Partnership for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.



Appendix II Independent Auditors' Report (Proposed)

Opinion on other prescribed matters

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Treasurer's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Henderson Loggie
Chartered Accountants
Registered Auditors
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

30 August 2011



Appendix III

Definition of Material, Significant and Trivial

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Partnership. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formula and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Partnership has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Partnership agrees to adjust the errors.



Appendix IV Follow Up 2009/10 Action Plan

Para Ref.	Recommendation	Comments/Responsible Officer/ Agreed Completion Date	Update at August 2011
53	Governance R1 At the time of finalising the updated governance documents, such as the Partnership's Standing Orders and Financial Regulations, formal review dates should be set to ensure that they remain fit for purpose. Grade C	Recommendation accepted. Formal review dates will be recommended when reporting to the Partnership Board on review of Governance Documentation, currently planned for 14 December 2010 meeting. Director 31 December 2010	A comprehensive review of the Partnership's Governance Policies and Procedures formed the basis of a report which was approved by the Partnership on 21 st June 2011. At that time the Partnership agreed to formally review its Governance Policies and Procedures not less than 2-yearly. Completed
55	R2 Management should ensure that the outstanding SLAs with Perth & Kinross Council are finalised as soon as practical. Grade C	Work is continuing on the development of updated SLAs covering Secretariat; Finance; HR and Legal, reflecting revisions to corporate support requirements implemented during 2010 in response to Budget savings in 2010/11. Director 31 December 2010	The 2011/12 Core Revenue Budget makes provision for further savings in Third Party support arrangements. These require to be reflected in amended SLAs. The Director and Treasurer were previously granted delegated authority to review and amend SLAs as required by operational circumstances (Report RTP/09/35 refers) Not yet implemented, repeated this year.



Appendix IV Follow Up 2009/10 Action Plan

Para Ref.	Recommendation	Comments/Responsible Officer/ Agreed Completion Date	Update at August 2011
57	R3 Further consideration should be given to producing an Annual Governance Statement for inclusion within the 2010/11 financial statements. Grade A	Recommendation accepted. Treasurer 30 June 2011	The need to produce an Annual Governance Statement and Local Code of Corporate Governance was considered at the time of reporting on the review of Governance Policies and Procedures on 21 June 2011. At that time the Partnership agreed that the updated Governance framework and compliance with additional Public Services Reform Act 2010 duties to publish Annual Statements was appropriate for the scale and current role and responsibilities of the Partnership. It is considered that there is no need to supplement the existing Governance procedures and PSRA publication requirements. Completed
58	R4 As part of the current review of Tactran's governance arrangements consideration should be given to drawing up a Local Code of Corporate Governance. Grade A	Recommendation accepted. The development of a Local Code of Corporate Governance will be considered in consultation with Proper Officers as part of the ongoing review of Governance procedures and processes. Director 31 December 2010	See above. Completed



Appendix V Acronyms

CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standards
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
IT	Information Technology
RTP	Regional Transport Partnership
RTS	Regional Transport Strategy
SLA	Service Level Agreement
SOA	Single Outcome Agreement
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SORP	Statement of Recommended Practice
TACTRAN	Tayside and Central Scotland Transport Partnership
WGA	Whole of Government Accounts