



# **Zetland Transport Partnership**

Report to the Members of the Board and the Controller of Audit on the 2020/21  
audit

Issued on 16 September 2021 for the meeting on 30 September 2021

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Board of Zetland Transport Partnership (“ZetTrans”) for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report presented to the Board in March 2021.

This report summarises our findings and conclusions in relation to:

- The audit of the **Annual Accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
  - The appropriateness of the disclosures in **the governance statement**; and
  - The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

# Introduction (continued)

## The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

### **Conclusions from our testing**

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Board.

A summary of our work on the significant risks is provided in the dashboard on page 9.

No misstatements in excess of our reporting threshold of £7k or disclosure deficiencies have been identified up to the date of this report.

### **Status of the financial statements audit**

Our audit is complete.

### **Conclusions on audit dimensions**

**Governance statement** – The disclosures are appropriate and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Financial sustainability** – As with previous years, ZetTrans are projecting to achieve short term financial balance in 2021/22.

In 2020/21, ZetTrans placed reliance on additional contributions made from Shetland Islands Council (“SIC”) to achieve a balanced year-end position. Given the financially unsustainable position the Council currently finds itself in, ZetTrans should incorporate savings plans and targets within the budget to reduce additional reliance on funding required from the Council.

ZetTrans should ensure that a Medium Term Financial Plan (‘MTFP’) is published during the 2021/22 financial year encompassing the key principles of public service reform – prevention, performance, partnership and people.

In addition, it is not possible for ZetTrans to satisfy itself as to the effectiveness of its workforce planning arrangements as there is currently a reliance on SIC’s plan. ZetTrans needs to ensure that the workforce plan being developed is sufficiently specific and addresses the Partnership’s needs.

Our detailed findings and conclusions are included on pages 17 to 20 of this report.

# Introduction (continued)

## The key messages in this report (continued)

### **Emerging issues**

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to ZetTrans on page 23 of this report.

### **Next steps**

An agreed Action Plan is included on pages 25 and 26 of this report, including a follow-up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2021/22 audit.

### **Added value**

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report and we have included our "sector developments" on page 23 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to ZetTrans.

In addition, as information emerges as a result of COVID-19, the withdrawal from the European Union, and evolving legislation we have shared guidance with management in relation to Annual reporting. We have also shared invites to relevant Deloitte-led webinars with ZetTrans.

**Pat Kenny**  
**Audit Director**








# Annual Accounts audit



# Quality indicators

## Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		There were no significant accounting judgements included within the ZetTrans Annual Accounts, which is in line with our understanding of the entity.
Adherence to deliverables timetable		Management provided evidence in a timely manner, with 86% of deliverables provided in line with agreed deadlines. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel		Deloitte and ZetTrans have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel.
Quality and accuracy of management accounting papers		Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Accounts. There have been no requests for resubmission of evidence throughout the audit.
Quality of draft Annual Accounts		A full draft of the Annual Accounts was received for audit on 28 June 2021. We identified 4 changes which were required, a significant improvement on 2019/20.
Response to control deficiencies identified		We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors		We have not identified any significant financial adjustments to date and only minor disclosure changes were required.



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Developing

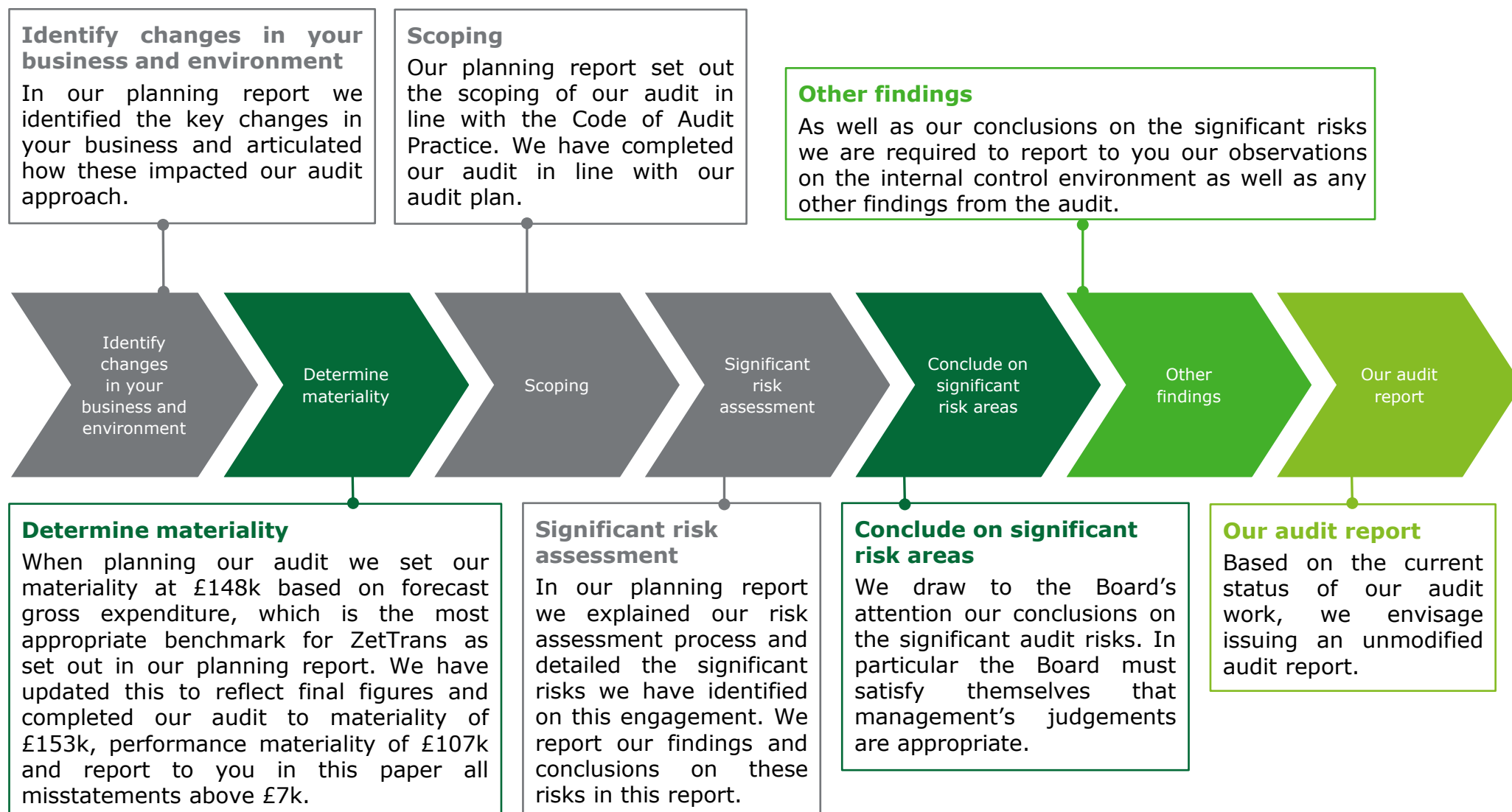


Mature



# Our audit explained







We tailor our audit to your business and your strategy





# Significant risks

## Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within the approved budget			D+I	Satisfactory		Satisfactory	10
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

**D+I:** Testing of the design and implementation of key controls

# Significant risks (continued)

## Operating within the approved budget



### Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we have not considered this to be a significant risk for ZetTrans as there is little incentive to manipulate revenue recognition with the majority of revenue being from SIC which can be agreed to confirmations supplied. Furthermore, from previous years' audits, we established that there are robust processes and controls in place to reconcile bus fare income, and we have not identified any errors relating to income in previous audits.

We therefore considered the fraud risk to be focused on how management operate within the approved budget set at the beginning of the year and the agreed contributions from SIC. There is a risk that ZetTrans could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk has therefore been pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.



### Deloitte response and challenge

We have performed the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance;
- Obtained independent confirmation of the agreed contributions from SIC;
- Performed focused testing of accruals and prepayments made at the year-end; and
- Performed focused cut-off testing of invoices received and paid around the year-end.

#### Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

# Significant risks (continued)

## Management override of controls



### Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.



### Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

#### Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

### Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

### Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

#### Deloitte view

We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

# Other significant findings

## Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

### **Qualitative aspects of your accounting practices:**

ZetTrans' has prepared its Annual Accounts in line with the Code of Practice on Local Authority Accounting. We are satisfied that the ZetTrans' accounting practices are appropriate.

### **Other matters relevant to financial reporting:**

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

### **Significant matters discussed with management:**

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation.

We will obtain written representations from the Board on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



### **Our opinion on the Annual Accounts**

Based on our audit work completed to date, we expect to issue an unmodified audit opinion.



### **Material uncertainty related to going concern**

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the Annual Accounts that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



### **Other reporting responsibilities**

The narrative parts of the Annual Accounts is reviewed in its entirety for material consistency with the annual accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit as discussed further on page 14.

# Your Annual Report

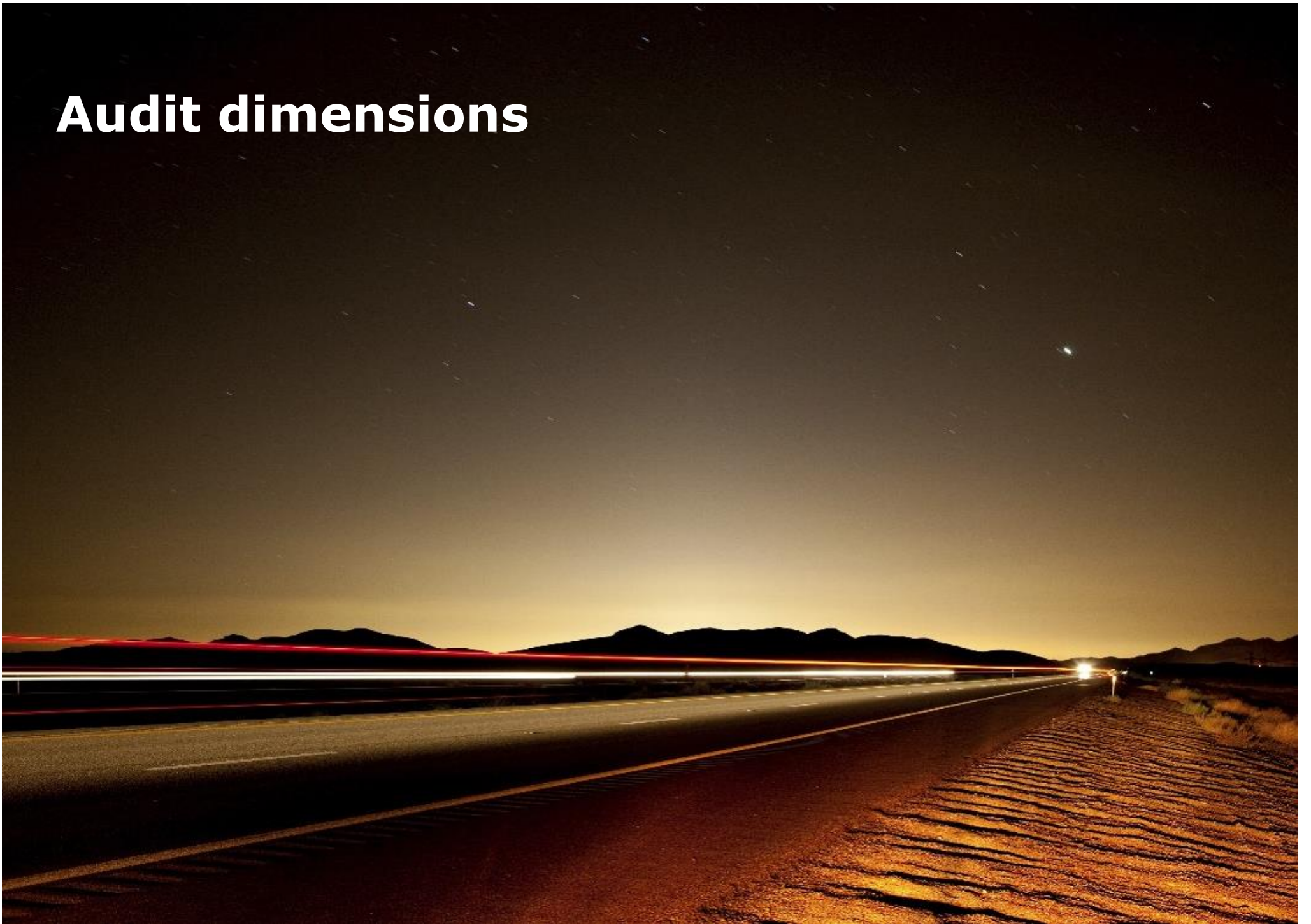
We are required to provide an opinion on the auditable parts of the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

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	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focuses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Pending amendments for minor improvements in the final version of the Annual Accounts, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p>
Annual Governance Statement	The Annual Governance Statement reports that the Board's governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework.

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# Audit dimensions





# Audit dimensions

## Overview

As set out in our Audit Plan, Public audit in Scotland is wider in scope than financial audit. In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope of work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our Audit Plan has not changed. Our work in this area was restricted to concluding on:

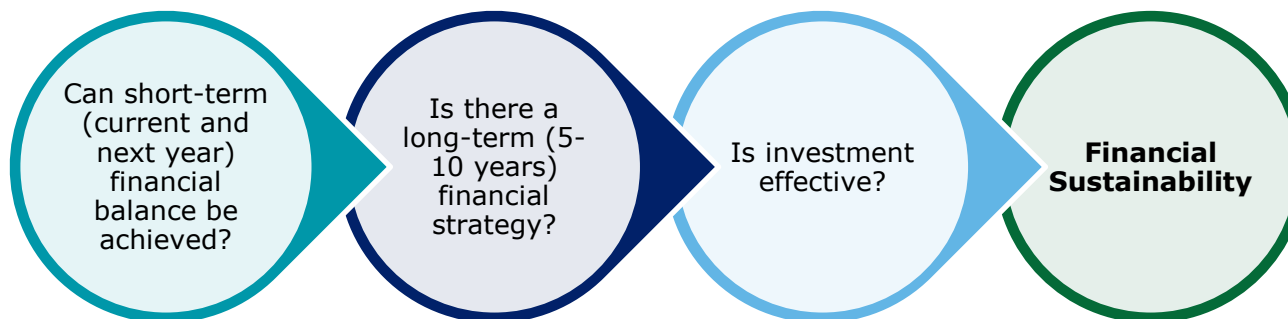
- The appropriateness of the disclosures in the **governance statement** (which is discussed on page 14); and
- The **financial sustainability** of ZetTrans and the services that it delivers over the medium to longer term.

In addition to the above, we have reviewed the ZetTrans’ arrangements for the **prevention and detection of fraud and irregularities**. Overall we found the arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

### Financial sustainability

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



# Financial sustainability

## Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following risk:

The financial impact of the pandemic includes a reduction in income from bus and ferry services provided due to the implications of COVID-19.

There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the body can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly. ZetTrans has not yet prepared their MTFP and have not quantified the funding gaps which need to be addressed over the medium-term.

## Budget setting

**2019/20 conclusion:** Following receipt of deficit funding from SIC, ZetTrans achieved financial balance in 2019/20. Given that the Council will provide deficit funding for ZetTrans in 2020/21 it is anticipated that ZetTrans will achieve financial balance in the coming year. The financial challenges facing ZetTrans, likely to be exacerbated by the impact of COVID-19, need to be considered in the preparation of the Board's MTFP.

**2020/21 update:** The Board approved a balanced budget for 2021/22 of £4.478m (2020/21: £4.229m) on 24 March 2021. The approved budget will be funded by the Regional Transport Authority (£0.132m), Fare Income (£0.611m) and SIC (£3.735m). The contributions from the Council were approved on 17 March 2021.

**2020/21 update (continued):** No savings plans or efficiency targets have been included within the 2021/22 approved budget and no community engagement took place as part of the budget setting process.

The key risk identified associated with the 2021/22 budget are that ZetTrans does not achieve the required public transport income and that SIC is unable to provide additional resources if the entity were to exceed the originally agreed budgeted expenditure.

The Board regularly reviews progress against budget throughout the year, through quarterly reporting of the management accounts. From our review of reporting throughout the 2020/21 financial year, variances are clearly reported and explained in detail, including clear narrative and quantitative information on the impact of COVID-19.

As a result of the pandemic, the Scottish Government imposed 'stay at home' restrictions from the 23<sup>rd</sup> of March 2020. This had an impact on the income generated by ZetTrans in that there were reductions in passenger fees collected from Public Transport Services.

The loss of income has been offset by additional deficit funding provided by SIC, which was provided by the Scottish Government to cover the costs and additional financial pressures caused by the pandemic. Additional funding has also been provided to SIC from the Scottish Government, to mitigate effects of the pandemic in 2021/22, providing further comfort.

Therefore, there has been no adverse impact on the financial position of ZetTrans with financial balance having been achieved in 2020/21, and is budgeted to be achieved again in 2021/22.

# Financial sustainability

## Budget setting (continued)

### **2020/21 conclusion:**

ZetTrans achieved a balanced year-end outturn on receipt of deficit funding of £333k from SIC. A balanced budget has been set for 2021/22, and based on this and ZetTrans' history of achieving a breakeven position, we are satisfied that short-term financial balance can be achieved in 2021/22.

In 2020/21, ZetTrans placed reliance on additional contributions made from SIC to achieve a balanced year-end position. Given the financially unsustainable position the Council currently finds itself in, ZetTrans should incorporate savings plans and targets within the budget to reduce additional reliance on funding required from the Council.

The impact of COVID-19 on the ability to achieve short-term financial sustainability presented a risk to ZetTrans in terms of achieving the required level of Bus Fare income. Given the implementation of the vaccination programme and the uplift of restrictions imposed by the Scottish Government, the risk level of underachievement of budgeted income will be lower than 2020/21 but still present in the 2021/22 financial year.

Overall, the Board has a robust planning and monitoring process in place, with detailed management accounts presented on a quarterly basis with the financial impact of COVID-19 having been actively assessed throughout the year. The position will continue to be monitored closely in 2021/22.

## Medium-to long-term financial planning

**2019/20 conclusion:** We reiterate that ZetTrans need to prioritise finalising the MTFP to include quantification of the funding gaps and actions to address these over the medium term. It also needs to link the MTFP to the Scottish Government Medium-Term Financial Strategy and the key themes of public service reform, as well as ensuring there are links to outcomes, ZetTrans' transport strategy and the Council's MTFP.

**2020/21 update:** In our planning paper to the Board in March 2021, we stated that we would review and monitor progress in relation to the publication of a MTFP.

As at the time of the audit, there was no MTFP in place. There therefore remains a risk that robust medium-to-long-term planning arrangements are not in place and that ZetTrans have not quantified any funding gaps which need to be addressed over the medium-term.

**2020/21 conclusion:** There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the body can manage its finances sustainably and deliver services effectively, reducing the Board's ability to identify issues early and respond to these promptly.

While we recognise ZetTrans' plan of publishing a MTFP in 2021/22 to address the recommendation made in our 2018/19 audit, we reinforce the importance of this given the significant impact of COVID-19 and the fact that ZetTrans' solitary funding partner (SIC) finds itself in a financially unsustainable position.

# Financial sustainability

## Medium-to long-term financial planning (continued)

### **2020/21 conclusion (continued):**

The Board should ensure that a MTFP is published during the 2021/22 financial year encompassing the key principles of public service reform – prevention, performance, partnership and people.

In addition, the MTFP should detail clear links with the Partnerships strategy and outcomes as well as the Scottish Government medium-term financial strategy.

### **Workforce Planning**

**2019/20 conclusion:** This was not specifically reported on within our 2019/20 report.

**2020/21 update:** ZetTrans currently does not have a stand alone workforce plan in place. Work is currently underway to develop a workforce plan which will be informed by the SIC Workforce Strategy, which was approved on 16<sup>th</sup> December 2020.

Workforce surveys were performed in 2021, which showed a number of improvements on surveys carried out in both 2015 and 2017. It is important that ZetTrans continue to obtain staff feedback ensuring there is sufficient visibility of any workforce related issues arising.

**2020/21 conclusion:** Based on the information available, it is not possible for ZetTrans to satisfy itself as to the effectiveness of its workforce planning arrangements and there is currently a reliance on SIC's workforce plan.

### **2020/21 conclusion (continued):**

ZetTrans' needs to ensure that the workforce plan being developed is sufficiently specific and addresses the ZetTrans' needs.

The workforce plan currently being developed should consider the needs of the organisation and those of its workforce, ensuring it is sufficient to meet the objectives of the organisation.

Workforce planning provides a basis for understanding workforce behaviours, considering areas such as recruitment, promotion and turnover. Understanding these issues can allow the organisation to plan appropriately. Workforce planning is an ongoing process, and should be considered for appropriateness by the Board on an annual basis.

## Financial sustainability (continued)

### **Deloitte view – Financial sustainability**

As with previous years, ZetTrans are projecting to achieve short term financial balance in 2021/22.

In 2020/21, ZetTrans placed reliance on additional contributions made from SIC to achieve a balanced year-end position. Given the financially unsustainable position the Council currently finds itself in, ZetTrans should incorporate savings plans and targets within the budget to reduce additional reliance on funding required from the Council.

ZetTrans should ensure that a MTFP is published during the 2021/22 financial year encompassing the key principles of public service reform – prevention, performance, partnership and people.

In addition, based on the information available, it is not possible for ZetTrans to satisfy itself as to the effectiveness of its workforce planning arrangements and there is currently a reliance on SIC's workforce plan. The Scottish Futures Trust report detailed at page 23 should be assessed as part of workforce planning.

ZetTrans needs to ensure that the workforce plan being developed is sufficiently specific and addresses the Partnership's needs.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the annual accounts.

We described the scope of our work in our audit plan.

### Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Pat Kenny, CPFA**

**For and on behalf of Deloitte LLP**

Glasgow | 16 September 2021



# Sector developments





# Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

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## Background and overview

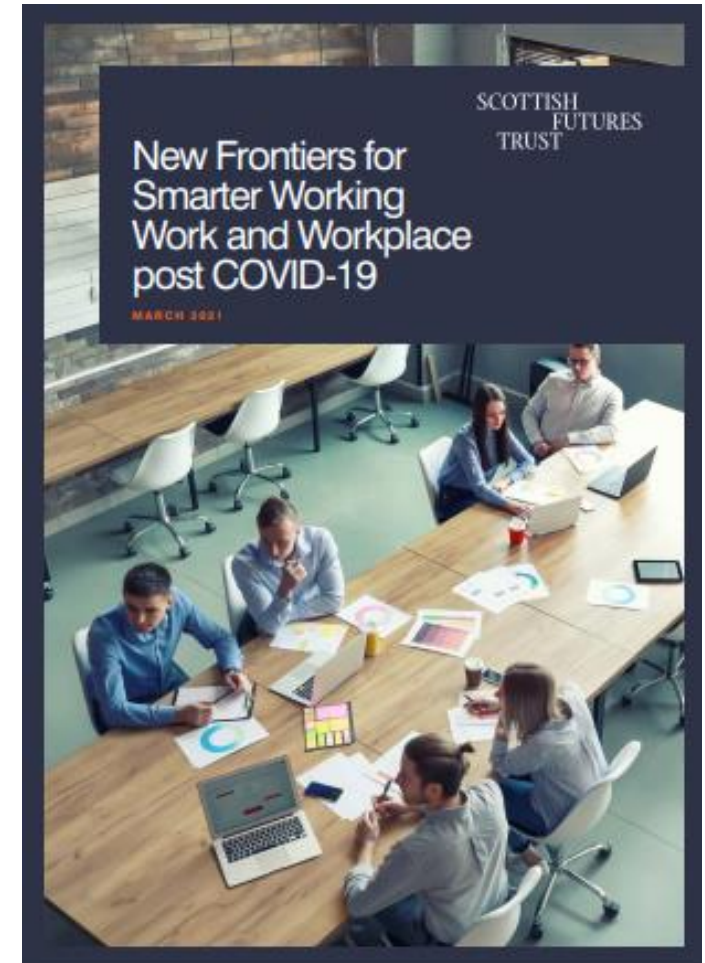
**COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.**

A new report by infrastructure experts, the Scottish Futures Trust reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report" also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.

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## Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at [https://www.scottishfuturestrust.org.uk/storage/uploads/new\\_frontiers\\_report\\_march2021.pdf](https://www.scottishfuturestrust.org.uk/storage/uploads/new_frontiers_report_march2021.pdf)

# Appendices



# Action plan

## Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	Financial Sustainability	<p>The workforce plan currently being developed should consider the needs of the organisation and those of its workforce, ensuring it is sufficient to meet the objectives of the organisation.</p> <p>Workforce planning provides a basis for understanding workforce behaviours, considering areas such as recruitment, promotion and turnover. Understanding these issues can allow the organisation to plan appropriately. Workforce planning is an ongoing process, and should be considered for appropriateness by the Board on an annual basis.</p> <p>Succession planning needs to be included in the Workforce Plan. This needs to include clear promotion opportunities within the organisation, effective delegation to staff, and tailored training plans to enable staff to carry out more senior roles.</p>	<p>As ZetTrans relies on SIC to provide staff to deliver its functions (because ZetTrans does not employ its own staff, nor does it second staff from any other organisation), it is appropriate that ZetTrans' workforce development plan is aligned with the SIC's wider workforce development plan. The workforce development needs of ZetTrans staff will be addressed in line with other services being delivered by the council, and a future iteration of the Council's Workforce Strategy and/or Workforce Plan will identify any specific needs of ZetTrans in those plans. Resourcing issues will be addressed through the Council's annual budget-setting exercise.</p>	Executive Manager – Human Resources	September 2022	High

# Action plan

## Follow-up 2019/20 action plan

We have followed up the recommendations made in our 2019/20 annual report in relation to the wider scope areas and note that the following recommendation has not been implemented. We will continue to monitor these as part of our 2021/22 audit work.

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	<i>Financial Sustainability</i>	When developing its MTFP, ZetTrans should make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles are reflected in ZetTrans' financial planning. There should be clear links to the Scottish Government MTFS, ZetTrans' strategy and outcomes.	The development of a standalone MTFP for ZetTrans has been delayed so that it may take into consideration the outcome of the upcoming review of public transport fares. That review is currently underway, but behind schedule. In the interim, the funding of ZetTrans is considered as part of the SIC's Medium-Term Financial Plan owing to the close working relationship and funding arrangements that exist between SIC and ZetTrans.	Proper Officer for Finance	September 2022	High

# Our other responsibilities explained

## Fraud responsibilities and representations



### **Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### **Required representations:**

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### **Audit work performed:**

In our planning we identified the risk of fraud in relation to operating within the approved budget and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of ZetTrans and our objectivity is not compromised.

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## Fees

The proposed audit fee for 2020/21, in line with the fee range provided by Audit Scotland, is £9,795 as analysed below:

Auditor remuneration	£ 8,455
Audit Scotland fixed charges:	
Pooled costs	850
Audit support costs	490
<b>Total proposed audit fee</b>	<b>9,795</b>

There are no non-audit services fees proposed for the period.

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## Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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## Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

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