

Tayside and Central Scotland Transport Partnership

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Tayside and Central Scotland Transport Partnership and the Controller of Audit

10 December 2024

Contents

| | |
|--|----|
| Key messages | 3 |
| Introduction | 4 |
| Part 1. Audit of 2023/24 annual accounts | 5 |
| Part 2. Wider Scope | 10 |
| Appendix. Action plan 2023/24 | 13 |

Key messages

Audit of 2023/24 annual accounts

- 1** Audit opinions on the annual accounts are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** The audited part of the Remuneration Report, Management Commentary and Annual Governance Statement are all consistent with the financial statements and are prepared in accordance with proper accounting practices.
- 3** There are no significant findings or key matters to report from the audit, and no unadjusted misstatements to report to those charged with governance.

Wider scope

- 4** Financial management arrangements are satisfactory and Tactran reported a £19,000 surplus for 2023/24.
- 5** There is no risk to Tactran's financial sustainability in the short-term with additional funding of £1.8 million secured for Active Travel Behaviour Change projects in 2024/25. A medium-term financial plan has been developed for approval at the December 2024 meeting of the Partnership Board. We will review the content of the plan as part of our 2024/25 audit.
- 6** Governance and transparency arrangements and Annual Governance Statement disclosures are appropriate.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Tayside and Central Scotland Transport Partnership (Tactran) and will be published on Audit Scotland's website: www.audit-scotland.gov.uk.
2. The scope of the audit was set out in an Annual Audit Plan presented to the 12 March 2024 meeting of the Partnership Board. This Annual Audit Report includes matters arising from an audit of Tactran's annual and accounts, and conclusions on financial sustainability and the appropriateness of the disclosures in the Annual Governance Statement.
3. We would like to thank elected members, management, and staff, particularly those in finance, for their continued co-operation and assistance this year.

Responsibilities and reporting

4. Tactran has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Tactran is also responsible for compliance with legislation and for putting arrangements in place for governance and propriety.
5. The responsibilities of independent auditors appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice and supplementary guidance and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at the [Appendix](#) setting out specific recommendations, responsible officers, and dates for implementation. The weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues raised and to maintain adequate systems of control.

Auditor independence

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services. The 2023/24 audit fee of £13,800, as set out in our 2023/24 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. We aim to help Tactran promote improved standards of governance, better management and decision making and more effective use of resources. We do this by sharing intelligence and good practice and by identifying and providing insight on significant risks and making clear recommendations for improvement.

Part 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the annual accounts are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the Remuneration Report, Management Commentary and Annual Governance Statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

There are no significant findings or key matters to report from the audit, and no unadjusted misstatements to report to those charged with governance.

Audit opinions on the annual accounts are unmodified

9. The Partnership Board approved the annual accounts for Tactran for the year ended 31 March 2024 on 10 December 2024. The independent auditor's report includes the following opinions on the annual accounts:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report was prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The 2023/24 annual report and accounts were certified on 10 December 2024 in line with the agreed audit timetable

10. The unaudited annual accounts were received in line with the agreed audit timetable on 11 June 2024. Officers provided good support to the audit team, and we were able to certify the annual accounts in accordance with the agreed timetable.

Our audit approach and testing was informed by the overall materiality level of £30,750

11. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact the opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the audited 2022/23 annual accounts. These materiality levels were reported in our Annual Audit Plan.

13. On receipt of the unaudited annual accounts, we reconsidered our materiality levels based on gross expenditure for the year ended 31 March 2024. Our revised materiality levels are set out in [Exhibit 1](#).

Exhibit 1 Materiality values

| Materiality level | Amount |
|-------------------------|---------|
| Overall materiality | £30,750 |
| Performance materiality | £23,000 |
| Reporting threshold | £1,500 |

14. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality as detailed in the Annual Audit Plan.

No issues were identified from our work in response to the risks of material misstatement identified in the annual accounts

15. [Exhibit 2](#) sets out the risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2**Identified risks of material misstatement in the annual accounts**

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|--|
| Significant risk of material misstatement | | |
| <p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> | <p>Assessed the design and implementation of controls over journal entry processing.</p> <p>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.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the year.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantively tested income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Tested accounting accruals and prepayments focusing on significant risk areas.</p> | <p>The completion of the assurance procedures did not identify any evidence of management override of controls.</p> |
| Non-significant risk of material misstatement | | |
| <p>2. Estimation in the valuation of pension assets and liabilities</p> | <p>Assessed the scope, independence and competence of the professionals engaged in providing estimates for pensions.</p> | <p>The completion of the assurance procedures did not identify any evidence of a material misstatement in the valuation of pension assets and liabilities.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|------------|---|-------------------------|
| | <p>Reviewed the appropriateness of actuarial assumptions and results including comparison with other employers and the pension fund as a whole.</p> <p>Established officers' arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary by Tactran.</p> | |

There are no significant findings or key audit matters to report from our audit of the annual accounts

16. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to the Partnership Board, including our view about the qualitative aspects of Tactran's accounting practices.

17. The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those matters judged to be of most significance.

18. We have no significant findings or key audit matters to report from our audit of the annual accounts.

Management Commentary disclosures were reviewed and improved in response to last year's recommendation

19. The Code of Practice on Local Authority Accounting in the United Kingdom requires local government bodies to prepare and publish a Management Commentary along with their financial statements. The Management Commentary should be fair, balanced, understandable, and consistent with the financial statements.

20. Last year we recommended that Tactran review the content and presentation of its Management Commentary against Audit Scotland's good practice note, [Good Practice Note: Management Commentaries](#), to ensure key messages are not obscured through the inclusion of overly detailed financial information.

21. The content and presentation of the Management Commentary included in the 2023/24 unaudited accounts had been reviewed and improved in response to our recommendation. We concluded that 2023/24 Management Commentary was consistent with the financial statements and properly prepared in accordance with the applicable requirements.

There are no unadjusted misstatements to report to those charged with governance

22. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

23. Our audit did not identify any material misstatements. We did identify some issues with the presentation and disclosure of items within the annual accounts including the classification of interest earned on Tactran's funds invested in Perth and Kinross Council's loans fund. Officers agreed to amend the financial statements to reflect all of our audit findings and so there are no unadjusted misstatements to report to those charged with governance.

Good progress was made on prior year recommendations

24. Tactran has made good progress in implementing the agreed prior year audit recommendations. All three of the brought forward recommendations have been actioned. We will review the content of the medium-term financial plan as part of our 2024/25 audit.

Part 2. Wider Scope

For less complex bodies, wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer-term, and the arrangements for securing Best Value.

Main judgements

Financial management arrangements are satisfactory and Tactran reported a £19,000 surplus for 2023/24.

There is no risk to Tactran's financial sustainability in the short-term with additional funding of £1.8 million secured for Active Travel Behaviour Change projects in 2024/25. A medium-term financial plan has been developed for approval at the December 2024 meeting of the Partnership Board. We will review the content of the plan as part of our 2024/25 audit.

Governance and transparency arrangements and Annual Governance Statement disclosures are appropriate.

Financial management arrangements are satisfactory

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is Tactran's responsibility to ensure that its financial affairs are conducted in a proper manner. We reviewed Tactran's arrangements for financial management during 2023/24 and concluded that they were satisfactory, with appropriate monitoring reports being regularly submitted to the Partnership Board for scrutiny.

Tactran reported a year end surplus of £19,000 for 2023/24

26. Tactran reported a year-end surplus of £19,000 for 2023/24 against a planned use of reserves of £43,000 resulting in an underspend against budget of £62,000. The majority of this (£55,000) was due to underspends on the Regional Transport Strategy programme including:

- planned work on the development of the Regional Transport Strategy and Delivery Plan was completed delivering a £12,000 underspend against budget
- the Rail with Tay Cities Park and Choose project underspent by £12,000 in 2023/24. This project is expected to complete in 2024/25
- the contingency budget of £19,000 was not required and remained unspent at the year-end.

27. The surplus was added to the General Fund Reserve resulting in a balance of £97,000 at 31 March 2024.

There is no risk to Tactran’s financial sustainability in the short-term with additional funding of £1.8 million secured for Active Travel Behaviour Change projects in 2024/25

28. The 2024/25 budget (£0.668 million) approved by the Partnership Board is funded by contributions from constituent councils (£0.103 million), funding from the Scottish Government (£0.497 million) and reserves (£0.068 million). Scottish Government funding has reduced by £26,000 (5 per cent) in 2024/25 compared to previous years.

29. Tactran has also secured additional funding of £1.8 million from Transport Scotland for Active Travel Behaviour Change projects across the Tactran region in 2024/25. This funding will encourage walking, cycling, and wheeling across three themes: Urban Trail, Access to Bikes and Active Travel Promotion. Part of the funding will be used to ensure that Tactran has the resources to manage and deliver these projects.

30. We have concluded that there is no risk to Tactran’s financial sustainability in the short-term but note that securing sufficient additional funding to deliver on its priorities and outcomes will become increasingly challenging as the public sector faces continuing financial pressures.

A medium-term financial plan has been developed for approval at the December 2024 meeting of the Partnership Board. We will review the content of the plan as part of our 2024/25 audit

31. Last year we reported that annual funding from the Scottish Government and constituent councils had not increased since 2013/14 and 2015/16 respectively, and that, over time, the proportion allocated to Tactran’s core budget has increased resulting in a decrease in the amount remaining to fund Regional Transport Strategy projects. We recommended that Tactran prepare a medium-term financial plan to understand and manage any risks or threats to its financial sustainability. Officers accepted the recommendation and a medium-term financial plan has been developed for approval at the December 2024 meeting of the Partnership Board. We will review the content of the plan as part of our 2024/25 audit.

Governance and transparency arrangements are appropriate

32. Tactran was constituted under the Transport (Scotland) Act 2005 as one of seven transport partnerships set up to provide a co-ordinated approach to transport planning and delivery between different local authority areas. The Tactran area covers Perth and Kinross, Dundee, Angus, and Stirling.

33. The Partnership Board has ten Councillor members representing the four constituent Councils, four non-council appointments made by the Scottish Ministers and one external advisor.

34. The Partnership Board meets regularly, usually four or five times a year. We have reviewed the minutes and papers submitted to the Partnership Board and conclude that they are sufficiently detailed and comprehensive to allow for effective decision-making and scrutiny. The papers are readily accessible on the Tactran website.

Annual Governance Statement disclosures are appropriate

35. As part of our 2023/24 audit, we reviewed the disclosures included in the Annual Governance Statement and concluded that they are consistent with the financial statements and comply with the guidance issued by Scottish Ministers.

36. Last year we noted that Tactran's governance documents and financial regulations were last updated in December 2016 and June 2019 respectively. In addition, the service level agreement with Perth and Kinross Council had not been updated since March 2011. We recommended that these documents be regularly reviewed to ensure they remain fit for purpose.

37. In response, Tactran reviewed and updated its service level agreements with Perth and Kinross Council for Legal Services and Finance, and these were approved by the Partnership Board on 12 March 2024 and 1 April 2024 respectively. The governance documents have also been updated and were approved by the Partnership Board in September 2024.

Appendix. Action plan 2023/24

Follow-up of prior year recommendations

| Issue/risk | Recommendation and agreed action | Update |
|--|--|--|
| <p>1. Reliance on management expert (Actuary)</p> <p>Tactran relies on the actuary to provide information for inclusion in the annual accounts. The finance team does not review the actuary's report for reasonableness before the accounts are updated.</p> <p>There is a risk that pension assets / liabilities are materially misstated in the annual accounts.</p> | <p>We recommend that management review the actuary's reports to confirm that these provide a satisfactory basis for disclosures in the accounts.</p> <p>Management will review the assumptions contained within the actuary report. Any significant changes between financial years will be raised with the actuary.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 30 June 2024</p> | <p>Complete</p> <p>Management confirmed that they reviewed the assumptions this year.</p> |
| <p>2. Management commentary</p> <p>The management commentary contains a lot of detailed financial information that makes it difficult to read. Our audit also noted a number of errors in the disclosures, and these were corrected in the audited annual accounts.</p> <p>There is a risk that key messages are obscured through the inclusion of too much detailed information.</p> | <p>Tactran should review the content and presentation of its management commentary against the Audit Scotland good practice note to ensure key messages are not obscured through the inclusion of overly detailed financial information.</p> <p>Management will undertake a review of the Management Commentary to ensure it remains in line with good practice.</p> <p>Responsible officer: Director / Treasurer</p> <p>Agreed date: 30 June 2024</p> | <p>Complete</p> <p>The Management Commentary has been updated this year to include less detailed financial information and there is more focus on key messages.</p> |
| <p>3. Financial sustainability</p> <p>To date, Tactran has prepared financial plans on an annual basis. In these</p> | <p>Tactran should develop a medium-term financial plan.</p> <p>The annual review of the Risk Register recognises the</p> | <p>Complete</p> <p>A medium-term financial plan has been developed for approval at the December</p> |

| Issue/risk | Recommendation and agreed action | Update |
|--|---|---|
| <p>fiscally challenging times, planning over the medium-term is essential for Tactran to understand and manage any risks or threats to its financial sustainability.</p> <p>There is a risk that Tactran cannot deliver on the priorities and outcomes set out in its Regional Transport Strategy.</p> | <p>financial challenges faced by Tactran.</p> <p>Management will consider developing a medium-term financial plan, recognising that the Constituent Councils have an obligation under Section 3 of the Transport (Scotland) Act 2005 to fund the net expenditure of the Partnership.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 31 March 2025</p> | <p>2024 meeting of the Partnership Board. We will review the content of the plan as part of our 2024/25 audit.</p> |
| <p>4. Governance documents</p> <p>Tactran's governance documents and financial regulations were last updated in December 2016 and June 2019, respectively. In addition, the service level agreement with Perth & Kinross Council has not been updated since March 2011.</p> <p>There is a risk that these documents no longer reflect Tactran's current operations.</p> | <p>The governance documents, financial regulations and service level agreement with Perth & Kinross Council should be regularly reviewed to ensure they remain fit for purpose.</p> <p>The governance documents will be reviewed when performing the annual review of the Risk Register.</p> <p>Service Level Agreements will be reviewed and, if required, updated to ensure they remain fit for purpose.</p> <p>Responsible officer: Director / Treasurer</p> <p>Agreed date: 31 March 2024</p> | <p>Complete</p> <p>The SLAs for Finance and Legal Services have been updated. Revised governance documents and financial regulations were approved at the Partnership Board in September 2024.</p> |

Tayside and Central Scotland Transport Partnership

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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