



HENDERSON LOGGIE

**Tayside and Central Scotland Transport
Partnership: Tactran**

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

2006/2007

External Audit Report No: 2007/03

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Contents

		Page		Page
1.	Executive Summary	1-2	Appendix I	Respective Responsibilities 10
2.	Introduction	3		
3.	Financial	4-5		
4.	Governance	6-7		
5.	Performance	8-9		



Executive Summary

1.1 Financial

- 1.1.1 The audit of the 2006/2007 financial statements has been completed within the timescale advised by Audit Scotland. Our opinion on the financial statements is unqualified. The statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973. A nil surplus/nil deficit position was achieved in compliance with The Transport (Scotland) Act 2005.
- 1.1.2 On 14 August 2007 we issued to the Partnership Director and Treasurer of Tactran our audit report no. 2007/02, Report to those charged with Governance on the Audit of Tactran. The report provides audit comment on the key issues and audit opinion arising from the audit of the financial statements and of Tactran's system of internal control.
- 1.1.3 The financial system used to date is based on a simple spreadsheet approach recording income and expenditure on a cash accounting basis. An improved financial system will be required for future years as the Partnership evolves. Accounting adjustments were required as a result of post balance sheet events and the audit.
- 1.1.4 The approved Core Revenue Budget and the specific revenue and transport projects grants were underspent for the year. The underspend was largely due to slippage in progress with recruitment of staff, a relocation to new headquarters and in progressing transport projects.
- 1.1.5 On recruitment of staff Tactran has taken on associated FRS 17 pension liabilities of £0.261 million. This is reflected in the Balance Sheet at 31 March 2007.

1.2 Governance

- 1.2.1 The ten Councillor Members of the Partnership are drawn from the four constituent councils. As a result of the May 2007 elections nine of the ten Councillor Members have been replaced with new Councillors. Training for new Councillor Members will be required to ensure they are knowledgeable of the Regional Transport Strategy and of their governance role.
- 1.2.2 The change in the political makeup of the constituent councils post the May 2007 elections will require a build up of relationships to ensure Tactran is effective in delivering its statutory and corporate objectives.
- 1.2.3 Five non-Councillor members were appointed by the Transport Minister from a pool selected by the Partnership. They were appointed for an initial two-year term. Succession planning will be required to manage any potential loss of relevant experience and knowledge.
- 1.2.4 Corporate governance arrangements were being developed during the year. Further governance arrangements have been approved since March 2007. Given the delay in recruitment of staff and the focus on delivering a Regional Transport Strategy by 31 March 2007, good progress has been made to date in establishing the Partnership's corporate governance arrangements.
- 1.2.5 Support services, including internal audit, have been provided by Perth & Kinross Council. The arrangements are being formalised through the development of Service Level Agreements.



Executive Summary

1.3 Performance

- 1.3.1 The Regional Transport Strategy was approved by the Tactran Board in March 2007 and has been submitted to the Transport Minister for consideration and approval. An Indicative Delivery Plan has been developed and approved by the Partnership. No decision on the Strategy has yet been made by the Minister.
- 1.3.2 A Travel Plan Strategy and Action Plan has been developed and approved by the Partnership.
- 1.3.3 The Partnership's role in managing the transport projects was largely limited to the approval of projects and their associated budgets and monitoring progress on delivery. Future management will evolve to ensure appropriate linkage with the approved Regional Transport Strategy.



Introduction

2.1 Introduction

- 2.1.1 We are pleased to submit our first annual report covering significant matters arising during the course of our audit of Tayside and Central Scotland Transport Partnership (Tactran) for the year ended 31 March 2007.
- 2.1.2 The framework under which we operate under appointment by Audit Scotland and the audit scope is as outlined in our Risk Assessment, Annual Plan and Fee proposal. The respective responsibilities of Board members and auditors are set out in Appendix I to this report.
- 2.1.3 Broadly the scope of our audit was to:
- provide an opinion on the financial statements and in accordance with the standards and guidance issued by the Auditing Practices Board;
 - 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 Tactran'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.
- 2.1.4 Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Board.

2.2 Basis of Information

- 2.2.1 External auditors do not act as a substitute for Tactran'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.
- 2.2.2 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 at Tactran and Perth & Kinross Council. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

2.3 Acknowledgement

- 2.3.1 Our audit for this year has brought us in contact with Tactran staff and accountants from Perth and 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 by staff in the discharge of our duties.



Financial

3.1 Audit Completion

3.1.1 The target date for submission of the 2006/2007 audited accounts of Tactran was 31 August 2007. We are pleased to report that the target date for the audit completion and certification of the annual accounts was met.

3.2 Accounts Certification

3.2.1 On 29 August 2007 we issued our audit report expressing an unqualified opinion on the financial statements of Tactran for the year ended 31 March 2007. We set out below a summary of the audit certification issues:

- ❑ the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2007 and its income and expenditure for the year then ended; and
- ❑ the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

3.3 Financial Position

3.3.1 The Transport (Scotland) Act 2005 requires constituent councils to meet Regional Transport Partnerships' (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.

3.3.2 For 2006/07, and following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position. The results for the year to 31 March 2007 incorporate initial expenditure incurred between 1 December 2005 (date of establishment of the RTP) and 31 March 2006. The level of expenditure during this period was not material.

3.4 Financial Performance

3.4.1 For 2006/2007 Tactran had an approved overall budget of £4.307 million made up of a Core Revenue Budget of £0.4 million, specific revenue funding of £0.579 million and specific grant funding for transport projects of £3.328 million. The Core Revenue funding comprised of 50% from the Scottish Executive with the remaining 50% from the four constituent councils in varying amounts. The Scottish Executive fully funded the specific revenue and transport projects grants.

3.4.2 Financial performance can be measured against the financial budget set by the Tactran Board in April 2006 for 2006/2007. In this regard Tactran recorded an underspend of £0.239 million against its Core Revenue Budget. The underspend was largely due to delays in staff recruitment and in relocating to new Partnership headquarters. There was an underspend of £0.036 million in respect of specific revenue funding due to an underspend against the awarded revenue funding for Transitional Costs. There was slippage on the specific transport projects undertaken by the constituent councils of £0.814 million.



3.4 Financial Performance (Cont'd)

- 3.4.3 As the expenditure is matched to income, there was a corresponding reduction of income of £1.089 million; Scottish Executive - £0.954 million and constituent councils - £0.135 million.
- 3.4.4 Financial monitoring was undertaken during the year and reports considered by the Tactran Board.

3.5 Accounting system

- 3.5.1 The financial system used to date is based on a simple spreadsheet approach recording income and expenditure on a receipts and payments basis. Consideration is being given to upgrading the accounting system to better meet the needs of the Partnership as it evolves.

3.6 Pensions

- 3.6.1 Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with FRS 17 reporting requirements the estimated pension liabilities provided by the Actuary at 31 March 2007 exceeded its share of assets in the scheme. At 31 March 2007 the excess of liabilities over assets amounted to £0.261 million.

- 3.6.2 The liability is due to the accrual of pension liabilities in accordance with Financial Reporting Standard 17 (retirement benefits). The liability arises primarily through the transfer of pension liability on the employment of staff by Tactran from local authorities in Scotland.

3.7 Going Concern

- 3.7.1 Tactran has adopted a 'going concern' basis for the preparation of the financial statements as constituent councils of Tactran will meet all liabilities of Tactran as they fall due. We are satisfied that the process which Tactran has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

3.8 Reserves and Balances

- 3.8.1 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 2007 is nil.
- 3.8.2 A specific Pension Reserve of £0.261 million has been created to match the estimated net pension liability at 31 March 2007.



4.1 Board Membership

- 4.1.1 The Regional Transport Partnerships (Establishment, Membership and Constitution) (Scotland) Order 2005 largely determined the structure of the Partnership.
- 4.1.2 The Tactran Board has ten Councillor Members; 2 each from Angus and Stirling Councils and three each from Dundee City and Perth & Kinross Councils. Following the May 2007 elections nine of the ten Councillor Members have been replaced. New Councillor Members will require training to ensure they are sufficiently knowledgeable of the Regional Transport Strategy in order to play an effective role as Board members.
- 4.1.3 Political changes post the May 2007 elections may impact on the Tactran Board and on its strategic and operational activities. A build up of relationships with the respective councils and with the new Councillor Members will be necessary to ensure Tactran plays an effective role in the development of transport infrastructure, promoting economic growth, social inclusion and sustainable transport development.
- 4.1.4 The Tactran Board also has five non-Councillor members. They are appointed by the Minister for Transport from a pool of proposed candidates selected by Tactran. The non-Councillor members have either been selected for their experience and knowledge of strategic transport issues or for their close interest as relevant community partners.

4.1.5 All non-Councillor members were initially appointed for two years. The close proximity of the appointments could lead to a loss of experience on the Tactran Board. Board membership succession planning should be considered to address this risk to the Board's ability to remain effective.

4.1.6 Tactran may appoint observers/advisors to the Board. This has not happened to date.

4.1.7 The Tactran Board is chaired by a Councillor Member.

4.2 Board Meetings

4.2.1 The Tactran Board met twelve times during 2006/07, receiving and approving the 2006/07 Core Revenue budget, receiving reports, financial monitoring and updates on the development of the Regional Transport Strategy.

4.3 Board Committees

4.3.1 The Board established an Officer Steering Group to oversee the development of the Regional Transport Strategy and to report progress to the Board. The Steering Group met fourteen times during the period from June 2006 to March 2007.

4.3.2 The need for additional committees, in particular a separate audit and scrutiny committee, as part of establishing a wider governance framework will evolve as the Partnership develops. To date we are satisfied that relevant business has been taken to and considered by the Board.

Governance

4.4 Chief Officers

- 4.4.1 A Partnership Director was appointed during the year taking up office on 17 July 2006. The role of the Director includes ensuring the Partnership meets all of its statutory duties and for managing the Partnership's resources.
- 4.4.2 The Treasurer of Tactran is the Head of Finance at Perth & Kinross Council.

4.5 Governance Framework

- 4.5.1 During the year the Partnership commenced development of its corporate governance documentation and policies with assistance from a third party consultant. These documents and policies include Standing Orders, Members' Code of Conduct, Scheme of Delegation, Financial Regulations, employment policies, and members' remuneration and expenses arrangements. The Scheme of Delegation, Financial Regulations and members' remuneration and expenses arrangements were approved at the April 2007 meeting of the Tactran Board. Employment policies were deferred until a later meeting of the Tactran Board.
- 4.5.2 The Tactran Board considered and approved the Core Staffing Establishment for the Partnership at its meeting on 21 November 2006. The Partnership Director, in consultation with the management team, was authorised to make staff appointments.

4.6 Internal Control

- 4.6.1 Financial services are provided by the Perth & Kinross Council. A Service Level Agreement for these and other services is currently being drafted. The financial services provided include payroll, accounting, budget setting and budgetary control.
- 4.6.2 Internal audit services are provided by the Perth and Kinross Council Internal Audit Division. While no internal audit activity took place during the year, internal audit have been involved post 31 March 2007 in auditing Tactran's first year grant claim.



5.1 Strategic Planning

Regional Transport Strategy

5.1.1 The primary statutory responsibility and focus for the year has been the development of a Regional Transport Strategy for submission to the Minister for Transport by 31 March 2007. The Strategy was developed during the year with assistance from Partnership Board members, officers and third party consultants. After public consultation and subsequent amending of the draft Strategy the Tactran Board approved its Regional Transport Strategy at its meeting on 27 March 2007. The Strategy was submitted to the Minister of Transport by the due date.

5.1.2 To date no decision on Tactran's Regional Transport Strategy has been made. The original timetable set by the Minister for Transport has changed following the May 2007 elections and a change of administration at the Scottish Parliament. It is now expected that a decision from the Minister for Transport will be made in September 2007.

Travel Plan Strategy and Action Plan

5.1.3 RTPs were required to submit a Travel Plan Strategy and Action Plan to the Scottish Executive by 31 December 2006. These are aimed at ensuring the delivery of effective Active Travel Plans at each local authority, main hospitals and health boards by 31 March 2008.

5.1.4 Two year specific funding of £65,000 per annum was awarded to Tactran to fund the employment of a dedicated Travel Plan Officer and to support local Travel Plan activity.

5.1.5 Due to the delay in the appointment of a Travel Plan Officer Tactran received Scottish Executive consent to an extension of time to submit its Travel Plan Strategy. The Strategy was submitted in draft on 1 February and later considered and approved by the Tactran Board. During the year to 31 March 2008 work will be undertaken by Tactran to ensure the delivery of effective Active Travel Plans for each of its four constituent councils, and all main hospitals and health boards covered by the Tactran geographic boundaries.

Indicative Delivery Plan

5.1.6 During the year to 31 March 2007 an Indicative Delivery Plan (Plan) was developed alongside the Regional Transport Strategy. The Plan sets out estimated revenue and capital costs over the short, medium and long term for implementing the various Interventions and Actions contained in the Regional Transport Strategy.

5.1.7 An interim version of this Plan was considered by the Tactran Board in March, with the finalised Plan approved by the Tactran Board in April 2007.

Performance

5.2 Performance Management

- 5.2.1 For 2006/07 Tactran's role in managing the transport projects carried out by the four constituent councils was largely limited to the approval of the projects and their allocated budgets and monitoring progress. With a Regional Transport Strategy in place Tactran's role will move to ensuring the development and delivery of the approved Strategy and associated projects.
- 5.2.2 Detailed consideration of transport projects will be undertaken by the Tactran Board to ensure priority is given to projects that best meet the objectives set out in the Regional Transport Strategy.



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 Tactran Board and the Treasurer's responsibilities for the Statement of Accounts are set out on page 5 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and report that opinion to you.

We are required to review whether the Partnership's Statement on the System of Internal Financial Control complies with the requirements of the Code of Practice for Local Authority Accounting in the United Kingdom 2006, a Statement of Recommended Practice (the 2006 SORP) and report any exceptions. We are also required to review the statement and report if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to give an opinion on the effectiveness of the Partnership's internal financial controls.

