

South West of Scotland Transport Partnership

Report to Members and the Controller of Audit
on the 2008/09 Audit

October 2009



 AUDIT SCOTLAND

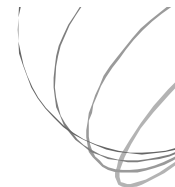


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Key Messages

We have given an unqualified opinion on the financial statements of South West of Scotland Transport Partnership (SWestrans) for 2008/09.

The partnership's financial transactions are processed through the financial systems of Dumfries and Galloway Council (the council). We reviewed these systems as part of the audit of the council and found there were no material issues of concern relating to the operation of the main financial systems and the partnership's transactions.

Having made good progress since its foundation in establishing sound systems and procedures, the last year has seen fewer developments in the partnership's governance arrangements, due to workload pressures. Several issues have been outstanding since 2006/07, including the introduction of a performance management framework and risk management arrangements. We will continue to monitor the partnership's progress in introducing these planned improvements.

Outlook

The current economic crisis is likely to have a considerable impact on the future funding of the public sector. Significant cuts in the level of government funding are forecast along with increases in demand on services. The partnership needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services.

As part of the recent management restructuring of the council, the partnership's current lead officer has taken up a senior post which will prevent him from continuing in his current role. A new lead officer will have to be appointed. The role played by the lead officer is critical to the future success of the partnership and the change in personnel should be closely managed. In appointing a new lead officer consideration should also be given to issues such as continued strategic capacity and the maintenance of governance roles and duties.

The co-operation and assistance given to us by South West of Scotland Transport Partnership members, officers and staff is gratefully acknowledged.

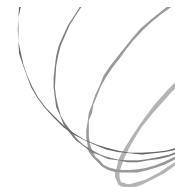
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Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of South West of Scotland Transport Partnership. Findings are drawn together within the following sections :
 - financial statements
 - use of resources
 - governance and accountability
 - performance management and improvement.
2. The members and officers of the partnership are jointly responsible for the performance, management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed
 - the partnership's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets
 - the partnership has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption
 - the partnership has proper arrangements for securing best value in its use of resources.
3. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by members. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission early next year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.
4. The scope of the audit was set out in the Annual Audit Plan issued on 31 March 2009. Our objectives focused on the identification and assessment of the key challenges and risks to the partnership in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the partnership's financial statements.
5. The scope of our audit included a review of the governance, scrutiny and financial arrangements in place within the partnership. The findings from our review of these arrangements were reported to management on 10 June 2009. Appendix A summarises the audit reports issued on the 2008/09 audit.



Financial statements

Introduction

6. In this section we summarise key outcomes from our audit of the partnership's financial statements for 2008/09 and comment on the current significant accounting issues.

Audit Opinion

7. We have given an unqualified opinion that the financial statements of the partnership for 2008/09 give a true and fair view of the financial position and expenditure and income for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
8. We were satisfied that the disclosure made in the Statement on the System of Internal Financial Control regarding the need to develop risk management and business continuity arrangements was consistent with our understanding of the partnership.
9. The partnership's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Working papers to support the 2008/09 accounts were of good quality and the finance team responded readily to all audit queries.
10. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are the principal means by which the partnership accounts for its stewardship of the resources made available to it and its performance in the use of those resources.

Accounting issues

11. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP and we were satisfied that the partnership prepared the accounts in accordance with it.

Prevention and detection of fraud and irregularities

12. The partnership applies the Financial Code of Dumfries and Galloway Council. Included within the Financial Code are sections relating to fraud, corruption and whistleblowing. There were no frauds identified within the partnership in 2008/09.



Legality

13. Through our planned audit work we consider the legality of the partnership's financial transactions. In addition the Treasurer confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of other senior officers, the financial transactions of the partnership were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Financial reporting outlook

IFRS adoption

14. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. A comparative balance sheet is required as at 1 April 2009 and it is important that the transition to the new accounting basis starts during 2009/10. As the partnership does not currently have any employees or fixed assets, the impact of applying IFRS accounting is expected to be minimal. However the implications for the partnership of the requirements of IFRS accounting should be formally reviewed and documented.



Use of resources

Financial results

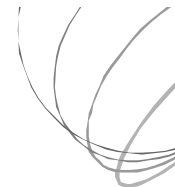
15. In 2008/09 the partnership's gross revenue expenditure amounted to £4.953 million. This was met by funding from the Scottish Government of £0.390 million and funding from Dumfries and Galloway Council of £4.563 million.
16. The majority of the partnership's expenditure (70%) is in the form of payments made to private bus operators, which amounted to £3.445 million in 2008/09. Other areas of spend during the year included expenditure on four Scottish Transport Appraisal Guidance (STAG) studies to assess: the viability of re-opening the Thornhill and Eastriggs train stations, a southern by-pass for Dumfries and a fast link between Dumfries and Lockerbie. In addition expenditure was incurred on a bus information strategy and various other initiatives associated with the Regional Transport Strategy.

Capital performance 2008/09

17. Unlike previous years, central government capital funding in 2008/09 was rolled up into the Local Authority Settlement and was no longer ring-fenced for use by the partnership. Funding totalling £1.151 million was made available by Dumfries and Galloway Council to fund the partnership's capital expenditure programme in 2008/09. Actual capital spend in the year amounted to £0.752 million which represents approximately 65% of the planned programme. Expenditure was incurred across fourteen different projects, the most significant among which were £0.142 million on the regional bus shelter works programme, £0.062 million on improvements to rural bus pick up points and £0.098 million on the cycling/walking infrastructure programme.
18. The most significant element of the underspend, £0.280 million, was in respect of the Stranraer to Cairnryan Cycleway, which has been delayed because of work by Transport Scotland on the A75 being incomplete. Design work is underway in anticipation of the project being delivered in 2009/10.
19. At 31 March 2009, the partnership held unspent capital funding of around £0.400 million which has been carried forward to 2009/10 by Dumfries and Galloway Council.

Current Economic Climate

20. The current economic crisis is likely to have a considerable impact on the future funding of the public sector. Significant cuts in the level of government funding are forecast along with increases in demand on services. The partnership needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services.



Governance and accountability

Introduction

21. We believe that an effective partnership is one that is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers.

Structure and policies

22. The partnership's governance arrangements are based around a single management Board, which is attended by five members of Dumfries and Galloway Council and two external members, one from NHS Dumfries and Galloway and one from Scottish Enterprise South. Support is provided by officers employed by the council, and attendance is also invited from observers which include other local community planning partners, together with local interest groups and representatives of private transport concerns.

Roles and relationships

23. Elected members who serve on the partnership Board have their training and development managed by Dumfries and Galloway Council, while the external members are similarly supported by the NHS and Scottish Enterprise. Additional training specific to their role on the partnership Board is provided by SWestrans as required. As the partnership does not have a separate audit committee, members of the Board should be cognisant of the good practice for audit committees included in the 'Audit Committee Principles in Local Authorities in Scotland' published by CIPFA.

Internal Audit

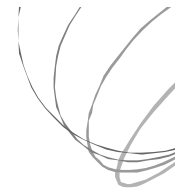
24. The partnership has a service level agreement with Dumfries and Galloway Council which includes the services provided by the council's internal audit section. During 2008/09 work was carried out by internal audit covering the specific governance arrangements established by the partnership. This provided the main source of assurance by which the Treasurer was able to sign the Statement on the System of Financial Control.



Systems of internal control

25. The partnership's financial transactions are processed through Dumfries and Galloway Council's financial systems. The auditor evaluates significant financial systems and associated internal controls both for the purpose of giving an opinion on the financial statements and as part of a review of the adequacy of governance arrangements.

26. Our review of these systems was conducted as part of the audit of Dumfries and Galloway Council, supplemented by specific audit work on the transport partnership's financial statements. Overall there are no material issues of concern in relation to the operation of the main financial systems.



Performance management and improvement

Vision and Strategic Direction

27. The partnership has successfully delivered a government approved Regional Transport Strategy. The strategy identifies the main outcomes necessary to improve the region's competitiveness and economic regeneration in line with the Scottish Government's five key objectives of a wealthier, smarter, healthier, greener and a safe and stronger Scotland. A detailed delivery plan has been introduced to support the strategy. The partnership is still however to introduce a corporate or business plan which will indicate the operational planning necessary to fulfil its strategic objectives. It is envisaged that this will be in place by March 2010.
28. The partnership's lead officer has played a significant part in supporting the partnership in setting its vision and direction and has made a significant contribution to the development of its strategies and other planning documents. As part of the recent management restructuring of the council, the current lead officer has taken up a senior post which will prevent him from continuing in his current role. A new lead officer will have to be appointed. The role played by the lead officer is critical to the future success of the partnership and the change in personnel should be closely managed. In appointing a new lead officer consideration should also be given to issues such as continued strategic capacity and the maintenance of governance roles and duties.

Risk area 1

Performance management

29. The partnership is still developing its performance management system, and has been largely dependent on information provided by Dumfries and Galloway Council's performance management system. At present, and for the last three years, specific performance information provided to the Board has been in respect of capital and revenue budget monitoring. No indicators have been developed to assess the effectiveness of the partnership in fulfilling its strategic objectives. The introduction of a comprehensive performance framework should now be progressed as a priority by the partnership and the target date agreed by management of March 2010 achieved.

Risk Management

30. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks.



Risk management supports decision making and contributes to performance. As is the case with performance management, the Board has been reliant on the risk management arrangements in place in Dumfries and Galloway Council. While no specific risk management arrangements are currently in place, the Board has undertaken to address this issue by March 2010.

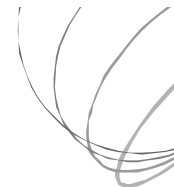
31. The lack of performance and risk management arrangements has already been included in our 2008/09 governance follow up report and actions have been agreed with management to address these ongoing risks.



Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue
Annual audit plan	31/03/09
Follow up governance review	31/08/09
Audit opinion on the 2008/09 financial statements	25/09/09



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p>Changes in management</p> <p>The lead officer has taken up a senior post as part of the management restructuring of the council and will no longer be able to continue his duties for the partnership.</p> <p>Risk</p> <p><i>Changes in staffing always generate a risk, but a change of lead officer may seriously compromise the continuity and continued effectiveness of the partnership.</i></p>	<p>Following discussions between the lead officer and the partnership Board a report has been prepared which will be presented to the November meeting. This will propose arrangements for a new lead officer which will retain continuity and expertise in SWestrans operations, at the same time as resolving the governance issue identified.</p>	Lead Officer	November 2009