



## **Scottish Road Works Commissioner**

Annual audit report 2014/15

Prepared for the Scottish Road Works  
Commissioner and the Auditor General for  
Scotland

October 2015

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This report will be published on our website after it has been considered by the Commissioner. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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# Key Messages

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 <p>Audit of financial statements</p>	<ul style="list-style-type: none"><li>• Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements.</li><li>• Officers provided good support. We have however raised a number of concerns in relation to the standard of working papers and the quality of the financial statements received for audit.</li><li>• With the exception of 1 unadjusted misstatement which was not material, all other financial misstatements, presentation and disclosure issues identified during the audit process were corrected by management.</li><li>• Officers identified an over-accrual of £15,000 in relation to the 2013/14 financial statements. This resulted in a prior period adjustment.</li></ul>
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"><li>• The accounts record net expenditure of £385,000.</li><li>• The Scottish Government agreed a Grant in aid budget of £410,000 for SRWC direct activities for 2014/15. Net operating costs of £302,000 were incurred during the year and the actual draw down of funds was £310,000. The activities of the register are funded through the levying of Prescribed Fees; a deficit of £83,000 was incurred on road works register activities.</li></ul>
 <p>Governance and transparency</p>	<ul style="list-style-type: none"><li>• There are adequate governance arrangements in place.</li><li>• Systems of internal control operated effectively during 2014/15.</li><li>• The Commissioner together with the sponsor department, Transport Scotland, should review the level of support in place and in particular the level of financial expertise.</li></ul>

## Key Messages



### Outlook

- A new Commissioner was employed from 28 September 2015. The challenge will be to understand the business fully in this interim period without a formal handover with the previous incumbent.

# Introduction

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1. This report is a summary of our findings arising from the 2014/15 audit of the Scottish Road Works Commissioner (SRWC).
2. The management of SRWC is responsible for:
  - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
  - ensuring the regularity of transactions, by putting in place systems of internal control
  - maintaining proper accounting records
  - preparing and publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor of SRWC, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. We recognise that not all risks can be eliminated or even minimised. What is important is that SRWC understands its risks and has arrangements in place to manage these risks.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

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## Audit opinions

### Financial Statements

- The 2014/15 financial statements give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- We confirm that the financial statements have been properly prepared in accordance with the 2014/15 FReM and the requirements of the Transport (Scotland) Act 2005 and directions.

### Regularity

- In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

### Other prescribed matters

- The part of the remuneration report to be audited has been properly prepared in accordance with the requirements of the Transport (Scotland) Act 2005 and directions.
- The information in the strategic report and director's report is consistent with the financial statements.

## Submission of financial statements for audit

9. We received the unaudited financial statements on 14 July 2015. While we were able to undertake the majority of the audit testing, we were unable to conclude the audit as a direct consequence of the poor quality of the first draft of accounts and the related working papers. A second improved version was provided on 28 August 2015. This required further unplanned audit input together with a review of the revised working papers. A number of the issues related to prior year entries which had been incorrectly processed into 2013/14. There was an absence of management review. However, SRWC staff provided good support to the audit team.

## Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued in March 2015.
11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was £13,450. However, an additional fee of £2,500 has been levied to cover the additional work that has been required to complete the audit. Officers have adjusted the financial statements to reflect this late accrual.

12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
13. [Appendix I](#) sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
14. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other qualitative reasons (for example an item contrary to law).
16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to

## Audit of the 2014/15 financial statements

the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

17. We summarised our approach to materiality in our Annual Audit Plan. Based on the draft financial statements, we revised our planning materiality for 2014/15 to £11,500 (1% of gross expenditure). Performance materiality of £8,600 (75% of materiality) is determined to ensure that uncorrected and undetected audit differences do not exceed our planning materiality level. We report all misstatements greater than £350.

### Evaluation of misstatements

18. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements with the exception one matter where an error was identified in the calculation of depreciation (£1,000).
19. If adjusted this would decrease net expenditure by £1,000 and increase net assets by the same amount.

### Significant findings from the audit

20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
  - Significant difficulties encountered during the audit.

- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
21. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to provide a revised set of accounts for audit. The overall effect of the adjustments made to the financial statements from the version received on 28 August 2015 is to increase total comprehensive net expenditure by £24,000. Net assets as recorded in the statement of financial position have decreased by £6,000.
  22. We identified the following issues which require, in our view, to be communicated to you in accordance with ISA 260.
  23. **Quality of financial statements.** We have referred in previous reports to the quality of the financial statements received for audit review. In order to address this matter, the previous Commissioner secured the secondment of an experienced finance professional to prepare the financial statements. We acknowledge that this year has been particularly challenging given the extended sick leave and subsequent stepping down of the previous Commissioner.



## Audit of the 2014/15 financial statements

However the first set of accounts received for audit contained a number of deficiencies. For example:

- The Cash Flow Statement, the Statement of Taxpayers' Equity and the related Cash and Cash Equivalent note (note 10) did not agree.
  - Prior year figures did not reflect the amounts contained within the certified 2013/14 financial statements.
  - Elements of the narrative did not reflect what had previously been agreed in the 2013/14 financial statements.
  - The presentation and disclosure of the Remuneration Report was not compliant with updated regulations as set out in the 2014/15 Financial Reporting Manual (FReM).
  - The penalty fee income collected by the Commissioner had not been recognised correctly in the financial statements.
  - The FReM disclosure checklist had not been completed.
24. Our concern on this matter has been raised annually and reflects the difficulties in securing financial support.
25. In addition to securing suitable finance expertise, a formal financial statements preparation timetable should be prepared and followed to ensure a complete set of draft financial statements and working papers are ready for audit review. Officers should adhere to the key stages and allowance should be made to include a management quality review of the unaudited financial statements prior to submitting the accounts

for audit in order to minimise the number of changes required.

### Refer Action Plan No. 1

26. **Scottish Road Works Register (SRWR).** In her role as the keeper of the SRWR, the previous Commissioner brought the operation of the Road Works Register in house. It had previously been managed and operated by Susiephone Limited (a private not-for-profit company). The register is being fully managed by the Commissioner and the SEAS financial ledger is being used to record transactions. This transfer has had an impact on the presentation of the financial statements: previously the accounts reflected a consolidation of the 2 entities (Register and Commissioner) while this year it is one entity. Further improvements to the reporting structure have been discussed and the new Commissioner has advised that the presentation will be reviewed in advance of the 2015/16 financial statements preparation.
27. **Prior year adjustment.** *IAS 8 Accounting policies, changes in accounting estimates and errors* requires material errors to be corrected retrospectively. As part of the accounts preparation process, officers identified that expenditure of £16,000 had been accrued into 2013/14 when in fact the invoices relating to the accrual had already been paid in March 2014. The problem arose due to the difficulties in the financial recording and accounts preparation processes in 2013/14. We have discussed the issue and agreed with officers that a prior period adjustment is appropriate. The 2014/15 financial statements

have been adjusted to reflect a decrease in the total comprehensive net expenditure of £15,000 and increase taxpayers' equity by the same amount in 2013/14. Further information has been disclosed at note 1.12 in the financial statements.

- 28. Statutory penalties.** During 2014/15, due to the systematic failure of duties the Commissioner took enforcement action against six parties which led to the imposition of fines totalling £57,500. The amounts were collected in full during the year and the money was paid into the Consolidated Fund via Transport Scotland (the sponsor department) as required by statute.
- 29. Deferred income.** The current contract for the maintenance and development of the register is due to conclude in 2016 with an option to extend for two years. With the agreement of the road works community, additional fees were levied in prior years and earmarked to be set aside to fund the re-tendering programme (£216,000) which is accounted for as deferred income in the Statement of Financial Position. In my 2013/14 report, I asked the Commissioner to review the balance and assess how these funds were to be applied given that the balances had been built up from financial years 2011/12 and 2012/13.
- 30.** The Commissioner together with the sponsor department (Transport Scotland) have now agreed that these deferred monies will be returned to third parties by way of reduced

Prescribed Fees and that any future retendering exercise will be funded by the Scottish Government.

- 31.** I have advised officers that the method for returning deferred income should be agreed with the sponsor department. In addition, cash balances should not be built up without the agreement of the sponsor department. Excess fees levied should either continue to be earmarked as 'deferred income' or as a 'general reserve'. A clear strategy outlining the purpose of the funds and their application should be in place.

### Refer Action Plan No. 2

- 32. Management / staff capacity.** We have referred previously to the capacity of management and staff within the Commissioner's office. The Commissioner's workload continued to be challenging in 2014/15. In May 2015 the second Commissioner stepped down with a new Commissioner appointed in September 2015.
- 33.** We have also referred to the difficulties in obtaining and maintaining financial expertise and knowledge within the Commissioner's office. From December 2012 onwards, there have been 4 finance officers in post with gaps in between of varying length due to the recruitment process. In 2013/14, the accounts preparation process was contracted to a private firm and in 2014/15 a finance professional was seconded from the Scottish Government into the organisation. However we are aware that the secondment arrangement is due to conclude by the end of October 2015.

34. With a Commissioner now appointed, it is essential that these issues are properly addressed together with the intended review of the functions and role of the Commissioner's office. We would recommend that firm action be taken to alleviate the workload pressures for all staff within the Commissioner's office. We shall continue to monitor the situation.

**Refer Action Plan No. 3**

### Future accounting and auditing developments

35. The financial statements are prepared in accordance with the Government financial reporting manual (FReM). Two significant revisions will apply from 2015/16:
- Simplification and Streamlining Project – changes to the form and content of the annual report and accounts.
  - Adoption of IFRS13 *Fair value measurement* for the first time – this also includes IAS 16 and IAS 38 adaptations.
36. **Restructuring of the annual audit report.** The 2015/16 FReM has been extensively re-written to require the annual report and accounts to include:
- A performance report which will give a fair, balanced and understandable analysis of performance and will include an overview section and a performance analysis section.
  - An accountability report incorporating the following three main sections:
    - corporate governance report consisting of a directors'

report, a statement of the Accountable Officer's responsibilities and a governance statement

- remuneration and staff report which will cover a number of prescribed disclosures including remuneration policy, payments to directors, staff numbers and sickness absence rates
- parliamentary and accountability report which will include information on the regularity of expenditure and the independent auditor's report.

37. Management should ensure a process is in place to review the revisions to the 2015/16 FReM, so that appropriate presentation and disclosures are made in the 2015/16 annual report and accounts.

**Refer Action Plan no. 4**

38. **International Financial Reporting Standards (IFRS) 13 Fair value measurement.** This standard sets out the requirements for assets to be valued at fair value and is applied in full to assets that are not held for their service potential (i.e. investment properties and assets held for sale) and operational assets which are surplus to requirements where there are no restrictions on disposal.
39. As the Commissioner does not hold any assets of this nature this will not impact upon the 2015/16 financial statements.

# Financial management and sustainability

## 2014/15 outturn

40. The financial statements record net expenditure of £385,000 which reflects the combined financial performance on the Office of the Scottish Road Works Commissioner (OSRWC) and the Scottish Road Works Register (SRWR). Separate budgets have been set in respect of these activities and the financial position of each is subject to separate monitoring.
41. For the OSRWC, the main financial objective is to ensure that the financial outturn for the year is within the resource budget allocated by Transport Scotland. The agreed Grant in aid for direct activities in 2014/15 was £410,000. The financial statements disclose operating costs of £302,000 and the actual draw down of funds during 2014/15 was £310,000.
42. The activities of the register are funded through the levying of Prescribed Fees. As disclosed in note 11 of the financial statements a deficit of £83,000 was disclosed, compared to a restated surplus of £83,000 in 2013/14. The outturn position was in line with the budget.
43. The consolidated annual outturn figures for 2014/15 are summarised in the table below. The net deficit for the Commissioner and SRWR was £75,000, compared to a

surplus position of £95,000 in 2013/14.

**Table 1: Annual Outturn Figures**

	2014/15 (£000s)	Restated 2013/14 (£000s)
Expenditure	1,171	1,164
Income	786	942
Net Expenditure	385	222
Scottish Government funding	310	317
Net surplus/(deficit)	(75)	95
Net surplus/(deficit) attributable to SWRC	8	12
Net surplus/(deficit) attributable to SRWR	(83)	83

Source: SRWC Annual Accounts 2014/15

### 2014/15 financial position

44. The statement of financial position shows a net asset position of £96,000; a reduction of £75,000 from the restated 2013/14 position. The reduction reflects the change in trades and other payables.

### Financial management

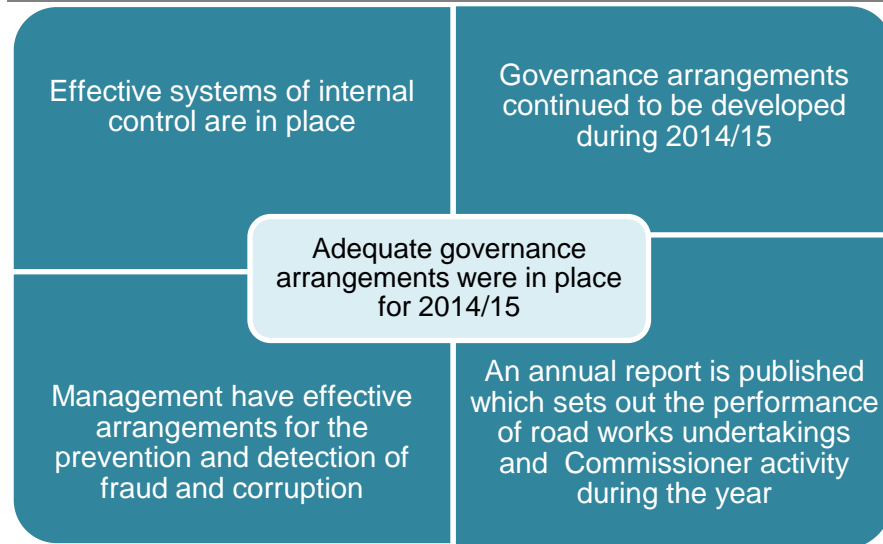
45. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the officer responsible for finance has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance.
46. Due to the absence of suitably experienced and knowledgeable finance staff prior to March 2015, the absence of the Accountable Officer from May to September 2015 together with the comments made earlier in this report we are unable to conclude that that SRWC had adequate financial

management arrangements in place. However, we have been advised that with the new Commissioner being in post, a review of governance and related working arrangements will be undertaken.

### Financial planning

47. The 2015/16 grant in aid budget for has been set at the same level as 2014/15. The SRWC budget has been set at £375,000 which reflects the fact that the function and related budget for a vacant SRWC post has been transferred to the sponsor department.

# Governance and transparency



organisation could operate without an audit committee or advisory board but that the topic should be kept under review. This practice has continued in 2014/15 and, as confirmed in the Governance Statement, the Commissioner has encountered no practical difficulties with this arrangement. We found that, overall for SRWC, sound governance arrangements were in place during 2014/15.

50. As discussed earlier, the Commissioner continues to face challenges with organisational and management capacity. The average number of full time equivalents (FTE) in 2014/15 was 5.5 (5.0 FTEs in 2013/14). Transport Scotland have recognised the challenges and have seconded the current Head of Operations to assist the Commissioner.

## Corporate governance

48. The Commissioner is responsible for establishing arrangements for ensuring the proper conduct of the affairs of SRWC and for monitoring the adequacy of these arrangements.
49. Primary legislation established SRWC as an independent Commissioner with no Board and no specific provision for an Audit Committee. In 2010 the Commissioner agreed with Transport Scotland, the sponsor department that the

## Transparency

51. The Commissioner publishes a comprehensive annual report which set out the performance of all organisations undertaking road works. The report also reflects on the work undertaken by the Commissioner during the year and progress against objectives. It has been agreed with the sponsor department that the annual report will follow the finalisation of the annual accounts and will be produced on a financial year basis.

## Internal control

52. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole.
53. In the interests of an efficient audit approach we rely on assurances received from the auditor of the Scottish Government on work performed on shared systems that operate at SRWC and which are hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
54. The central systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems used by the SRWC. Adequate assurance is where key controls and procedures are operating to enable reliance to be placed on the system.
55. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Internal audit

56. Internal audit is an important element of an organisation's governance structure. We noted in our 2013/14 annual audit report that although there is an agreement with the Scottish Government for internal audit input over a 3-5 year cycle, there has been no specific activity agreed nor has there been any direct internal audit work undertaken for more than five years now.
57. The previous Commissioner gave assurances that Internal Audit services had been secured for 2015. We are therefore disappointed to note that no Internal Audit review has been undertaken to date and given that the role of the Commissioner now includes direct responsibility for the Register, we have recommended that their input is sought as soon as practicable.

**Refer Action Plan No. 5**

## Arrangements for the prevention and detection of fraud

58. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.
59. There were no instances of fraud or irregularity reported by



## Governance and transparency

SRWC in 2014/15 and based on our work undertaken we are able to conclude that there are effective arrangements for the prevention and detection of fraud.

### **Arrangements for maintaining standards of conduct and the prevention and detection of corruption**

60. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.



# Appendix I – Significant audit risks

The table below sets out the audit risks, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Financial audit issues</b>		
<p><b>Fraud risk: income</b></p> <p>The SWRC is now raising and collecting fees directly from the road works community. There is therefore a risk of fraud in revenue recognition in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>We undertook detailed testing of revenue transactions focusing on the areas of greatest risk.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of a sample of income transactions was undertaken with no issues identified.</li> <li>Confirmed fees levied and received agreed to the appropriate regulations.</li> </ul>
<p><b>Fraud risk: management override of controls</b></p> <p>There is a risk that management manipulates accounting records and prepares fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>We conducted detailed testing of journal entries.</li> <li>We reviewed accounting estimates used to compile the financial statements.</li> <li>We considered whether there were any significant transactions that were outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of journal entries was satisfactory.</li> <li>Accounting estimates and policies adopted by SRWC were deemed to be appropriate and in accordance with guidance.</li> <li>From review of working papers and files held on site at SRWC offices, there were no significant transactions processed in 2014/15 which we considered to be outside the normal course of business.</li> </ul>

## Appendix I – Significant audit risks

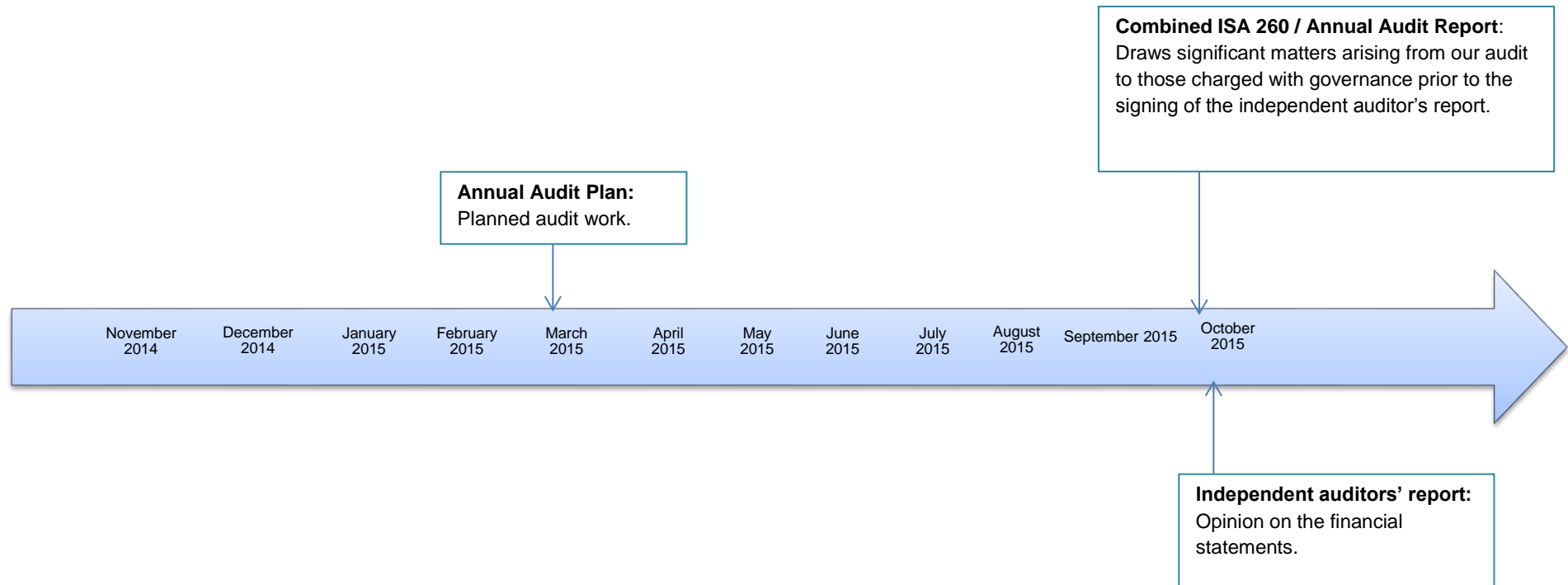
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Accounts preparation</b></p> <p>The arrangements for preparing the 2014/15 financial statements have recently been agreed with the appointment of a temporary member of staff who has financial expertise and knowledge.</p> <p>Until these arrangements bed in, there remains a risk that the accounts are not prepared in accordance with the FReM or that statutory deadlines are missed.</p>	<ul style="list-style-type: none"> <li>• We intended to review the financial statements preparation timetable.</li> <li>• Review arrangements for returning fees to third parties.</li> <li>• Early discussion on the presentation of the financial statements.</li> <li>• Maintain close contact with officers in the lead up to the audit of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• No financial statements preparation timetable was prepared.</li> <li>• It has been agreed with the sponsor department that the deferred income will be returned to third parties in the form of a reduced levy in the Prescribed Fees.</li> <li>• We held early discussion on the presentation of the financial statements. However, due to the stepping down of the Commissioner, the presentation of the accounts was of a poor quality and had to be revised. Refer to paragraphs 9 and 23 in this report.</li> </ul>

## Appendix I – Significant audit risks

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Management/staff capacity</b></p> <p>There have been continuing concerns regarding the Commissioner’s workload and the ability to recruit and retain a sufficient level of financial expertise.</p> <p>There is a risk that expenditure is not being monitored effectively and that work pressures impact adversely. The financial statements may not be prepared timeously or in accordance with guidance.</p>	<ul style="list-style-type: none"> <li>• Continuing discussion with the Commissioner and officers throughout the year.</li> <li>• Review budgetary control arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Our ongoing discussions were hampered by the absence of the Commissioner being on sick leave and then her stepping down in May. A new Commissioner was appointed in September 2015. We have however maintained close contact with the Head of Operations and the Business Manager.</li> <li>• We have referred to the quality of the accounts received for audit previously in this report. It is essential that this matter is addressed going forwards.</li> <li>• Budgetary controls arrangements were adequate although we have discussed the absence of formal oversight of the financial position. In addition, we noted that 100% of the funding was drawn down in April 2014. Management have given assurances that the draw down process will follow the Commissioner’s cash forecast in 2015/16.</li> </ul>

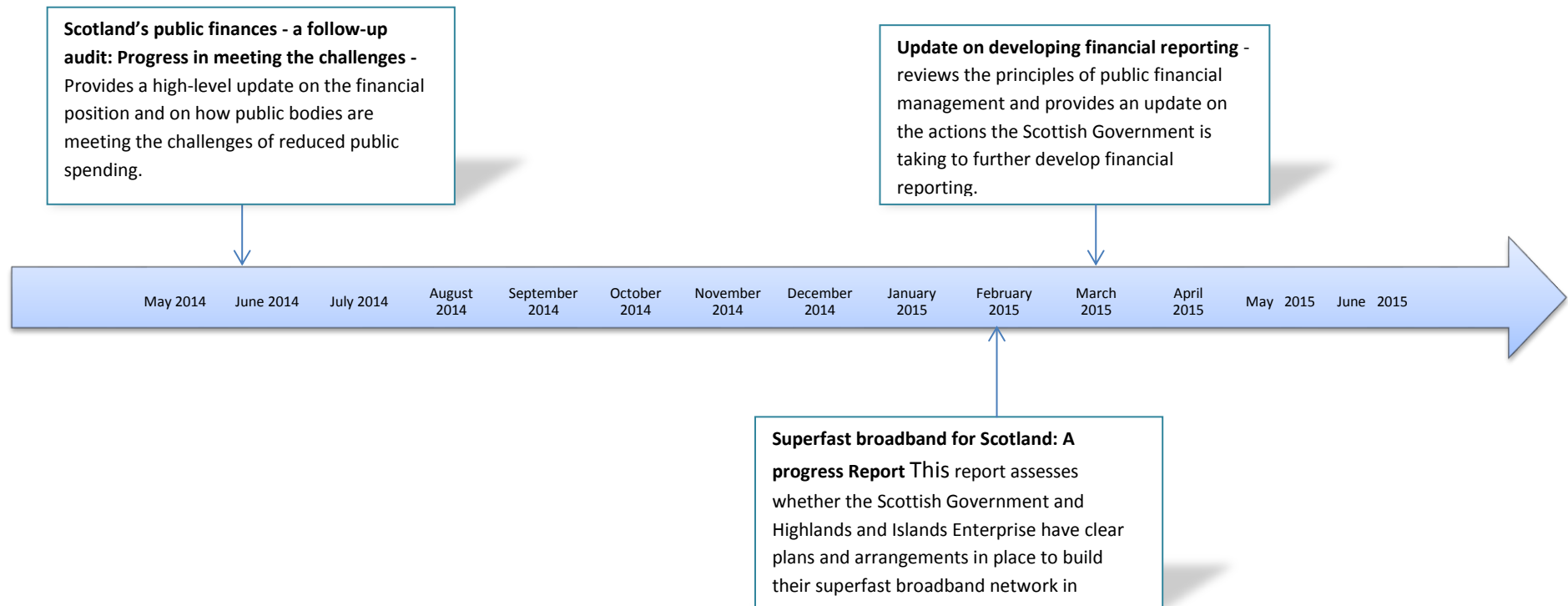
# Appendix II – Summary of local audit reports 2014/15

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# Appendix III – Summary of national reports 2014/15

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## Appendix IV – Action plan

Action plan no	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
<b>Financial audit issues</b>				
1	<p><b>Quality and preparation of the financial statements.</b> Draft financial statements required revision and updating. Management review of the accounts was not completed in advance of providing the draft accounts to audit.</p> <p>There is a need to secure financial expertise to undertake the accounts preparation going forward.</p> <p><b>Risk.</b> A qualified opinion is given on the financial statements due to the absence of evidence. Additional audit fees are levied and the audit is delayed due to the absence of management review.</p> <p><b>Recommendation.</b> A formal financial statements preparation timetable should be prepared and followed, which includes time allocated for management review. Appropriate financial expertise should be secured.</p>	<p>Current secondment of a financial staff member is to be continued on a part time basis.</p> <p>An accounts closure timetable will be prepared which takes account of the key dates and will be updated as necessary.</p>	<p>SRWC</p> <p>SRWC</p>	<p>Completed Oct 15</p> <p>Feb 16</p>

Appendix IV – Action plan

Action plan no	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
2	<p><b>Deferred income.</b> Additional funds raised should be earmarked as deferred income or as a general reserve. Formal agreement to this additional income should be sought from the sponsor department.</p>	<p>We shall confirm the strategy for the return of the deferred income through the Prescribed Fees with the Sponsor Department.</p>	SRWC	December 2015
	<p><b>Risk.</b> There is a risk that the funds are not properly disclosed in accordance with the FReM.</p> <p><b>Recommendation.</b> A clear strategy should be prepared outlining the use of these funds.</p>	<p>Deferred Income will continue to be reflected in 2015/16 accounts and budgets.</p>	SRWC	Nov 15

## Appendix IV – Action plan

Action plan no	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
3	<p><b>Management / staff capacity.</b> The Commissioner was paid for additional hours worked during 2014/15 as she was unable to take time off due to operational reasons. The Commissioner has since stepped down and an interim Commissioner was appointed from 28 September 2015.</p> <p>There is an absence of suitably knowledgeable finance staff.</p> <p>Depending on the outcome of the planned review of the functions and role of the Commissioner’s office, the Commissioner may not have the organisational capacity and resilience to meet the challenges of a more complex organisation.</p> <p><b>Risk.</b> The level of workload is unsustainable. There is a risk that the organisation will not achieve its objectives if management capacity is not reviewed.</p> <p><b>Recommendation.</b> The Commissioner should continue to liaise with Transport Scotland to explore options to alleviate the work pressures.</p>	<p>The current secondment of a financial staff member will be continued to ensure continuity.</p> <p>SRWC to meet with Sponsor body to discuss the SRWC Corporate Strategy 2015-18 and the 2016/17 Business Plan and budget. This will take account of the emerging findings of the Independent Review.</p>	<p>SRWC</p> <p>SRWC</p>	<p>Completed</p> <p>Jan 2016</p>



Appendix IV – Action plan

Action plan no	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
4	<p><b>Management commentary.</b> The 2015/16 FReM has been extensively re-written and includes significant changes to the form and content of the annual report and accounts.</p> <p><b>Risk.</b> The 2015/16 financial statements do not reflect the revised FReM requirements.</p> <p><b>Recommendation.</b> Management should ensure a quality review process is implemented to ensure that technical guidance is appropriately considered and applied to the draft annual report and accounts.</p>	SRWC will consider the impact of the 2015/16 FReM in advance of preparing the 2015/16 financial statements.	SRWC	May 2016

Appendix IV – Action plan

Action plan no	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
<b>Wider audit issues</b>				
5	<p><b>Internal Audit.</b> There has been no internal audit input to assist the Commissioner in his overview of governance arrangements including an independent review of financial controls.</p> <p><b>Risk.</b> There is a risk that internal controls /governance arrangements are not able to provide the necessary level of assurance.</p> <p><b>Recommendation.</b> The Commissioner should secure Internal Audit assistance as soon as practicable and should agree a programme of future audits.</p>	A programme of future audits will be agreed with the Sponsor Body.	SRWC	Dec 15