

South West of Scotland Transport Partnership

Report to those charged with governance

Report to the Members and the Controller of Audit for the year ended
31 March 2015.

Government and
Public Sector

September 2015

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Code of Audit Practice

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. The purpose of the Code is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas.

Our reports and management letters are prepared in the context of this Code. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Executive summary

Background

This purpose of this report is highlight to those charged with governance the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 11 September 2015.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- Approval of the Statement of Accounts and letters of representation;
- Completion procedures including subsequent events review.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2015.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<p>As part of our assessment of your control environment we considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>In particular, we performed procedures to:</p> <ul style="list-style-type: none"> - Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported financial position; - Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable; - Evaluate the business rationale underlying significant transactions outside the normal course of business; and - Perform unpredictable procedures targeted on fraud risks. 	<p>In respect of the work performed in response to this risk, we have not identified any issues that need to be brought to your attention.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p>	Significant ●	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> - updated our understanding of revenue and expenditure controls. - evaluated and tested the accounting policy for income and expenditure recognition to ensure that this is consistent with SWestrans' stated policies - performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk, including testing of journals. 	In respect of the work performed in response to this risk, we have not identified any issues that need to be brought to your attention.

Materiality

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy. The actual materiality we worked to is set out below and reflects the actual results for Swestrans for the year.

	£
Overall materiality	£96,740
Clearly trivial reporting de minimis	£4,837

Overall materiality was set at 2% of expenditure, which is consistent with prior years.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We have defined clearly trivial as above, being 5% of overall materiality.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- Approval of the Statement of Accounts and letters of representation;
- Completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

Misstatements and significant audit adjustments

We are required to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial.

We are pleased to advise that no corrections are required to be made to the financial statements and that there are no uncorrected misstatements to report.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The key area where judgements and accounting estimates were used in the preparation of the financial statements was Property, Plant and Equipment - Depreciation and Valuation.

We have concluded that the judgements made in this area are appropriate.

Statement on the System of Internal Financial Control

A requirement of the CIPFA Code is the inclusion of a Statement on the System of Internal financial control within the Statement of Accounts.

We reviewed the statement within the accounts to consider whether it complied with the CIPFA Code and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 1.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We did not identify any matters during the course of our work.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Partnership.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Partnership as a director or in a senior management position covering financial, accounting or control related areas.

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Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Partnership’s officers.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

Internal controls

Accounting systems and systems of internal control

Management is responsible for developing and implementing systems of internal financial control and putting in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the Statement on the System of Internal Financial Control.

Key Financial Controls

It is the responsibility of the Partnership to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

The Partnership uses the financial systems of Dumfries and Galloway Council, and is therefore subject to the same financial controls across the key financial processes of the general ledger, accounts payable and accounts receivable. Therefore our system and controls audit work has been undertaken as part of our 2014/15 audit of Dumfries and Galloway Council.

During the course of our work at Dumfries and Galloway Council we have noted no significant control deficiencies in respect to the Council's financial systems which are also applicable to the Partnership.

Statement of Internal Financial Control

The financial statements, in accordance with the 2014/15 Code, include a statement on the system of internal financial control which has been signed by the Partnership's Treasurer. This statement sets out the financial control arrangements in place for the year, including internal audit reviews that were undertaken, and risk management arrangements, including the key risks faced by the Partnership.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

During the course of our audit work, we have not identified any indications that fraud may have arisen during the year to 31 March 201

Appendices

Appendix 1: Letter of representation

PricewaterhouseCoopers LLP

141 Bothwell Street
Glasgow
G2 7EQ

Dear Sirs

Representation letter – audit of South West of Scotland Transport Partnership’s (the Partnership) Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Partnership give a true and fair view of the affairs of the Partnership as at 31 March 2015 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Treasurer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the Partnership and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Partnership with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Partnership in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.
- The Statement of Accounts disclose all matters of which we are aware that are relevant to the Partnership's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Partnership's plans. The Partnership also has the intent and ability to take actions necessary to continue as a going concern. We confirm the following plans for future action to ensure that the Partnership will continue as a going concern.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Partnership's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Partnership and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Partnership from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Partnership's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the Partnership's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Partnership and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Partnership’s Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

Management, employees and former employees referred to above is a reference to Dumfries and Galloway Council who provide all staff support, supplies and other support services to the Partnership.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Partnership conducts its business and which are central to the Partnership’s ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Partnership’s related parties. All transfer of resources, services or obligations between the Partnership and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Partnership Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the Partnership participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Partnership have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the Partnership's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Partnership or any associated company for whose taxation liabilities the Partnership may be responsible.

Litigation

I are not aware of any pending or threatened litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Partnership.

Bank accounts

I confirm that I have disclosed all bank accounts held in the Partnership's name to you.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

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Treasurer

For and on behalf of South West of Scotland Transport Partnership

Date

Appendix 1 to Letter of representation - Related parties and related party transactions

- The Scottish Government grant income to the sum of £259,250 in connection with Regional Transport Partnerships running costs and implementation of the Regional Transport Strategy.
- Dumfries and Galloway Council is responsible for funding the day-to-day operation of the Transport Partnership under the Transport (Scotland) Act 2005. In 2014/15 the Council provided £100k as a match funding to a Scottish Government grant for core running costs and a further £3.695 million was requisitioned by the Transport Partnership to cover the operating costs for 2014/15. SWestrans does not employ its own staff and during 2014/15 Dumfries and Galloway Council charged SWestrans £151k in respect of staff support, supplies and other services.



In the event that, pursuant to a request which the South West of Scotland Transport Partnership has received under the Freedom of Information Act (Scotland) 2002, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The South West of Scotland Transport Partnership agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the South West of Scotland Transport Partnership shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the South West of Scotland Transport Partnership discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for the South West of Scotland Transport Partnership and Audit Scotland, solely for the purpose and on the terms agreed through our contract with the Audit Scotland. We accept no liability (including for negligence) to anyone else in connection with this document.

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