Transport Scotland

2019/20 Annual Audit Report

Prepared for Transport Scotland and the Auditor General for Scotland

23 September 2020

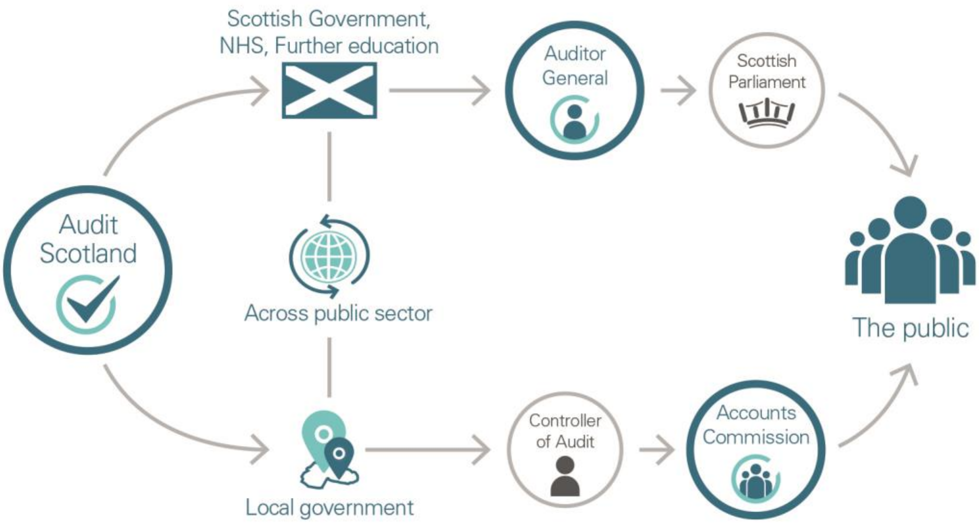
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual report and accounts

1 **The financial statements of Transport Scotland give a true and fair view of its state of affairs as at 31 March 2020 and of the net operating costs for the year then ended; and have been properly prepared in accordance with the financial reporting framework.**

2 **In keeping with other public bodies, the timescale for completion of the audit was delayed by around a month as a result of the Covid-19 pandemic. Alternative timescales were agreed following constructive discussions with Transport Scotland staff.**

3 **Audit testing resulted in material adjustments totalling £169 million. To improve the accounts preparation process in future years, several audit recommendations have been raised in light of these adjustments.**

Financial management

4 **Transport Scotland had appropriate and effective financial management, operating within budget in 2019/20.**

5 **Covid-19 had a limited impact in 2019/20, which resulted in increased spend of £31 million supporting rail operators.**

Financial sustainability

6 **Transport Scotland has proactively planned for the impact of Covid-19 in its 2020/21 budget. It will require to keep its plans under review as the pandemic progresses.**

Governance and transparency

7 **As a result of the Covid-19 pandemic, the senior management team met more regularly. This is appropriate but, given the changes to its operating circumstances, it should consider how best to continue to inform the public about its decision-making processes.**

8 **Transport Scotland staff have been largely working from home and controls have operated well during the period of the pandemic.**

Value for money

9 **Audit testing confirmed that new grant funding arrangements with Network Rail are being adhered to and Transport Scotland is using its new powers to provide enhanced monitoring of the progress of rail infrastructure projects. More work is required to assess what impact the new arrangements are having on the condition of the rail network.**

Introduction

1. This report summarises the findings from our 2019/20 audit of Transport Scotland.

2. The scope of our audit was set out in our Annual Audit Plan presented to the 20 January 2020 meeting of the Audit and Risk Committee (ARC). This report comprises the findings from:

- an audit of Transport Scotland's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the *Code of Audit Practice 2016* as illustrated in Exhibit 1.

Exhibit 1
Audit dimensions

Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2019/20 have been:

- an audit of Transport Scotland's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the four audit dimensions.

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, Transport Scotland has had to respond to the global coronavirus pandemic (Covid-19). This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. This has had significant implications, not least for the provision of public transport services and the maintenance of infrastructure. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

5. We add value to Transport Scotland through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports (Appendix 4) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. Transport Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

7. Transport Scotland is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the senior management team (SMT) to successfully deliver its objectives.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the *Code of Audit Practice 2016*, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016* and supplementary guidance.

9. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at Appendix 1. It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

11. Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £181,630 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both Transport Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual report and accounts

Main judgements

The financial statements of Transport Scotland give a true and fair view of its state of affairs as at 31 March 2020 and of the net operating costs for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

In keeping with other public bodies, the timescale for completion of the audit was delayed by around a month as a result of the Coid-19 pandemic. Alternative timescales were agreed following constructive discussions with Transport Scotland staff.

Audit testing resulted in material adjustments totalling £169 million. To improve the process of accounts preparation in future years, several audit recommendations have been raised in light of these adjustments.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual report and accounts are unmodified

15. The annual report and accounts for the year ended 31 March 2020 were approved by the ARC on 23 September 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework expenditure and income were regular and in accordance with applicable enactments and guidance

- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

16. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

17. Covid-19 restrictions meant we had to change our normal approach in some areas where availability of specific records and information was limited – for example supporting information regarding trade union facility time. In all cases we were content that sufficient evidence was available in areas that were material to our audit judgements.

The annual report and accounts were signed off later than originally planned

18. The unaudited annual report and accounts were provided to us on 11 June 2020. This was slightly later than the date in our annual audit plan of 8 June but was in keeping with discussions at the time. The supporting working papers were provided around a week after the accounts due to a technical issue with the online platform being used. The working papers were of a good standard which allowed the audit to proceed at a good pace.

19. The governance statement in the unaudited accounts had been prepared before the directors had signed their respective certificates of assurance. Transport Scotland had clearly signalled this ahead of providing the accounts, as directors understandably wanted to take longer to consider the impact of Covid-19 on their responsibilities. It was agreed that the audit would commence with an acknowledgement that Transport Scotland may wish to revisit the governance statement when the certificates of assurance had been finalised.

20. Due to the delayed start to the audit, it was agreed that the clearance meeting as set out in the Annual Audit Plan be put back by two weeks to allow for this and the predicted slower pace of work. Subsequent issues such as resourcing within the audit team and delays in the receipt of some supporting documents (including the certificates of assurance) resulted in the clearance meeting being further delayed until 21 August, around a month later than originally planned.

21. The timescales for the audit were subject to constructive discussion at all stages throughout the audit. This involved discussions with the Director of Finance and the ARC Chair and resulted in a postponement of the committee meeting from 24 August until 23 September. The overall delay to the audit of around one month is in keeping with most other audits in 2019/20. The efforts of Transport Scotland staff were greatly appreciated during all stages of the process.

Overall materiality is £208.5 million

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2
Materiality values

Materiality level	Planning	Year-end
Overall materiality -This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at one per cent of the net book value of the trunk road network as at 31 March 2020 based on the audited accounts for 2018/19 (planning) and draft accounts for 2019/20(year-end).	£205.4 million	£208.5 million
Performance materiality –This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds	£102.7million	£104.3 million

Materiality level	Planning	Year-end
performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50 per cent of planning materiality.		
As Transport Scotland's total assets balance is more than ten times net operating expenditure, we also set a separate performance materiality level for other assets / liabilities and expenditure. This has been set at 0.75 per cent of gross expenditure based on the audited accounts for 2019/20 and will be applied to all account areas other than the trunk road network.	£14.8 million	£17.2 million
Reporting threshold -We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold' amount. This has been calculated at one per cent of planning materiality but capped at £250,000.	£250,000	£250,000

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

23. Appendix 2 provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. Appendix 2 also identifies the work we undertook to address these risks and our conclusions from this work.

24. We have no issues to report from our work on the risks of material misstatement.

Significant findings from the audit in accordance with ISA 260

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of Transport Scotland’s accounting practices. This covers accounting policies, accounting estimates and financial statements disclosures.

26. The significant findings are summarised in Exhibit 3. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included

Exhibit 3
Significant findings from the audit of financial statements

Issue	Resolution
1. Estimation uncertainty The Covid-19 pandemic has resulted in some valuers reporting material uncertainty in their valuations of land and property. No such uncertainty was reported in relation to valuations of Transport Scotland assets. The only material part of Transport Scotland's asset base which is subject to such valuations is the land element of the trunk road network. This has a closing net book value of £1,161 million, representing around six per cent of the trunk roads network closing net book value. The valuation used in the unaudited accounts was dated as at 1 January 2020 (similar to previous years), pre-dating the pandemic.	Transport Scotland obtained an update from the land valuer which confirmed that there would likely be some variation in land values, but that it was not possible to suggest with any degree of certainty a uniform percentage change to the January figures without significant further work. Each valuation would need to be reconsidered on its own merits, based on local knowledge of the market. Upon reviewing this advice, Transport Scotland decided not to request a revised report as it was unclear if adequate information is available to provide an improved valuation as at 31 March 2020. Transport Scotland added new wording to note 1.23 (Critical Accounting Estimates) of its accounts to reflect the underlying uncertainty. We requested and received a representation from the Accountable Officer that he considered the carrying value of the relevant assets to be appropriate. Having considered the advice provided by the valuer and the updated disclosure included in the accounts, we are satisfied that the accounts appropriately reflect the best available information.
2. Assets under construction There is a category of asset within the non-current assets note which reflects ongoing work (mainly road projects). This is titled 'assets under construction'. The unaudited accounts presented a large closing net book value of assets under construction of £880 million with only a relatively small amount transferred to the trunk roads network category (£88 million). During the 2018/19 audit, it was noted that a significant transfer of around £260 million had taken place in respect of the Aberdeen Western Periphery Route (AWPR), but that a balance of around £400 million remained within assets under construction. This was because some elements of the AWPR had not at that time been incorporated into the roads valuation system (RAAVS) and, while the road was open at 31 March 2019, it was not formally signed off as completed until November 2019. Upon review of the closing net book value and transfer amount regarding the assets under construction category, we concluded that the remaining balance in respect of AWPR had not been transferred to the trunk roads network category. Transport Scotland confirmed that the AWPR had been signed off as completed in November 2019 and that all sections of the new road are now incorporated within RAAVS.	A corrective journal was posted to transfer this balance to the trunk roads network category, with corrections followed through to the revised set of accounts. This adjustment had no impact on the closing net book value of the trunk roads network as this was provided independently by RAAVS, however it reduced the overall non-current assets closing value as the assets under construction category reduced to £468 million (movement of £412 million). This differed from the amount identified in respect of AWPR (£392 million) because there was one further adjustment of £20 million posted here relating to provisions, which is covered at item 3. This adjustment also impacted on the revaluation reserve as the amount transferred from assets under construction did not match the amount transferred in to RAAVS. This is typical of such transfers as the assets under construction and RAAVS valuations are based on different measurement methodologies. We reviewed the adjustments and revised non-current assets and revaluations reserve per the revised accounts, and we are satisfied with the corrective action taken. We have raised a recommendation to ensure this does not re-occur in future. Recommendation 1 (refer Appendix 1, action plan)

Issue	Resolution
This meant that there was a material misstatement within the non-current assets note presented within the unaudited accounts. Transport Scotland identified a total balance of £392 million within the assets under construction category which related to the AWPR.	
3. Land acquisition provision Transport Scotland includes a provision within its accounts relating to the likely compensation payable in respect of planning blight, discretionary and compulsory acquisition of property from property owners arising from physical construction of a road or rail scheme. A provision for the estimated total cost of land acquired is created when it is expected that a General Vesting Declaration will be published in the near future. Estimates are provided by the Valuation Office Agency (VOA) to support this provision. From our testing we found a significant difference of £24 million in the value of the provision as at 31 March 2020 to an estimate prepared as at June 2020. The majority of this related to one particular scheme, the M8, which accounted for around £22 million.	Upon further review Transport Scotland concluded that the provision was overstated and adjusted the balance in respect of the M8 position with a view to carrying out a more thorough review in 2020/21. Transport Scotland posted an adjustment to write back the provision by £20 million. This impacted on the assets under construction balance as referred to in item 2 (as the adjustment related purely to a road scheme). We have raised a recommendation to ensure that the provision is more closely aligned to the most recently available estimates. Recommendation 2 (refer Appendix 1, action plan)
4. Network Rail advance prepayments Transport Scotland makes advance payments to Network Rail to allow it to carry out work to maintain and enhance the rail network. These payments are made to ensure that Network Rail have the funds available on the first day of each calendar month. To achieve this, Transport Scotland commences the payment a few days prior to the end of a month to allow for clearing. This creates a problem at year-end as the amount is shown as a creditor balance within Transport Scotland's payables system at 31 March. Transport Scotland also creates a matching prepayment to off-set. In April 2020 this amounted to £45 million. However, the applicable accounting standard (IFRS 9) does not allow the creation of a liability until one of the parties has performed under the agreement. Given the payment relates to work to be undertaken in April 2020, then the liability does not meet this requirement. Further, given that no payment was not fully completed by 31 March, it cannot be a prepayment. A similar situation arose in 2018/19 where the payment in question was £62 million. An adjustment was put through in 2018/19 to correct this however when the balance was rolled forward into 2019/20, this adjustment was not reversed. This off-set the current year	Transport Scotland was already aware of the prior-year issue and after discussion accepted a further adjustment was required in respect of the current year payment. After further discussion it was found that the prepayment should have been posted to a different code in the ledger which essentially allows for payments which sit in the payables system at year-end, but which do not represent creditor balances under IFRS 9. We have raised a recommendation to ensure that this does not re-occur. Recommendation 3 (refer Appendix 1, action plan)

Issue	Resolution
figure to produce a combined net error of £17 million in both the payables and receivables balances.	

Source: Audit Scotland

Identified misstatements of £522.0 million were adjusted in the accounts

27. Total misstatements identified were £543.5 million, the vast majority of which were adjusted (£522.0 million, representing 96 per cent). Of those balances where Transport Scotland opted not to adjust, this mostly related to the incorporation of the finalised Baxter quarter four indices. If adjusted this would have increased non-current assets by £13.4 million. As this is below the performance materiality for the trunk road network, Transport Scotland decided not to adjust.

28. The remaining unadjusted errors total £8.1 million and if adjusted would have increased net operating costs by £1 million and would have reduced net assets by the same amount (Appendix 3). This represents 0.04 per cent of net operating costs These mainly relate to the failure to discount soft loans provided to a third-party organisation (i.e. loans with interest rates below the market rate), the omission of interest charges on the loan to the holding company for Glasgow Prestwick Airport (GPA) and the failure to incorporate inflation within the discounting of provisions (see recommendation below). More detail relating to GPA is provided at paragraphs 63 and 64. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate systemic error.

Recommendation 4

Transport Scotland should ensure that inflation is taken into consideration when discounting provision balances in future.

29. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have not adjusted for the items in Appendix 3

Good progress was made on prior year recommendations

30. Transport Scotland has made good progress in implementing our prior year audit recommendations. Only one recommendation has not been completed (relating to the fair pay disclosure in the remuneration and staff report. Details are set out in Appendix 1.

Part 2
Financial management

Main judgements

Transport Scotland had appropriate and effective financial management, operating within budget in 2019/20.

Covid-19 had a limited impact in 2019/20, which resulted in increased spend of £31 million supporting rail operators.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Transport Scotland operated within budget in 2019/20

31. The main financial objective for Transport Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

32. Transport Scotland has reported an outturn of £2,520 million, remaining within its overall budget for 2019/20 with an underspend of £94 million (four per cent of the total budget). The financial performance against Departmental Expenditure Limits (DEL) is shown in Exhibit 4. This shows a total underspend of £64 million, largely related to capital.

Exhibit 4
Performance against DEL in 2019/20

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	2,164	2,172	2,160	(12)
Capital DEL	287	314	262	(52)
Total DEL	2,451	2,486	2,422	(64)

Source: Transport Scotland Annual Report and Accounts 2019/20 and supporting papers

33. Exhibit 5 presents the same information but by service area. This identifies that two areas overspent, ferries and rail. The overspend in ferries is largely due to the purchase of a vessel (Loch Seaforth) while the situation in rail is largely due to additional payments totalling £31 million in respect of Covid-19 to cover reductions in operators' passenger income.

34. We tested the additional rail payments as part of our audit testing and confirmed that they were in line with the Emergency Measures Agreements with both the ScotRail and Caledonian Sleeper franchise holders. As Covid-19 impacted in March 2020, it had only a limited impact on Transport Scotland finances for 2019/20. A more significant impact will be felt in 2020/21 and will largely involve additional funding to transport operators to mitigate for loss of passenger income.

Exhibit 5
Performance against DEL in 2019/20 by service area

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Rail Services	991	989	997	8
Concessionary Travel	273	280	276	(4)
Motorways & Trunk Roads	669	670	600	(70)
Ferries	233	232	245	13
Air	58	68	63	(5)
Other Sustainable Transport	184	205	199	(6)
Local Authority Grants (RTP and Cycling) / Support for Active Travel / Inter Island Ferries	43	42	42	0
Total DEL	2,451	2,486	2,422	(64)

Source: Transport Scotland Annual Report and Accounts 2019/20 and supporting papers

Budgetary processes remain effective

35. We reviewed Transport Scotland's budget setting and monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we confirmed that senior management (and ARC members) receive regular, timely and up to date financial information on the financial position. We concluded that Transport Scotland continues to have effective budgetary processes that allow senior officers to carry out effective scrutiny of its finances. This also feeds into broader Scottish Government financial control processes to support overall management of the Scottish Government financial position.

Internal audit continues to improve

36. Transport Scotland’s internal audit function is carried out by the Scottish Government Internal Audit Directorate (SGIAD). As such, it is reviewed annually by the Scottish Government’s external audit team, in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors). This year’s review did not identify any significant areas of non-compliance with PSIAS and noted continued improvements in the standard of audit work reviewed. The review also identified some relatively minor areas for improvement, primarily around ensuring that all reviews are documented consistently.

37. During the year we have considered the findings from the four internal audit reports produced on Transport Scotland in 2019/20. We have also maintained a regular dialogue with internal audit to ensure there is no duplication of work.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

38. Transport Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the SMT is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

39. We have reviewed the arrangements in place to maintain standards of conduct including Fraud Policy and Response Plan and Civil Service Code of Conduct., There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption and ensuring that a register of interests is maintained for all SMT members. Transport Scotland also provides regular updates on any fraudulent activity to the ARC.

40. Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

Arrangements for preventing fraud and corruption in the procurement function are appropriate

41. Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function. We carried out an assessment of the arrangements in place at Transport Scotland to prevent fraud and corruption in the procurement function. We concluded that Transport Scotland has appropriate arrangements in place. This includes appropriate segregation between procurement and those who commit to spend, the provision of annual training on fraud to all procurement staff and the involvement of internal audit in large procurement exercises.

Part 3

Financial sustainability

Main judgements

Transport Scotland has proactively planned for the impact of Covid-19 in its 2020/21. It will require to keep its plans under review as the pandemic progresses.

Financial sustainability looks forward to the medium and longer term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial plans for 2020/21 are significantly impacted by Covid-19

42. Following the 2020 summer budget revision (SBR), Transport Scotland has an allocated total DEL budget of £3,080 million for 2020/21, comprising resource DEL of £2,793 million resource and capital DEL of £287 million. This represents an increase of £615 million in resource funding from the 2019/20 budget and largely represents additional funding in light of the Covid-19 pandemic. The SBR had limited impact of capital funding, increasing it only slightly by £0.7 million.

43. The impact of the Covid-19 pandemic has been far and wide across all aspects of society. New rules regarding social distancing have resulted in a significant decrease in public transport passengers with a consequential effect in fare income for transport operators. Passengers numbers decreased on busses by around 70 per cent and 75 per cent on trains, compared to normal. The lockdown also impacted on the construction sector which resulted in delays in major transport projects and the scaling down of maintenance works on road and rail.

44. Transport Scotland anticipates a significant increase in funding in 2020/21, some of which remains to be approved at the time of writing. Transport Scotland also anticipates savings in some areas, with the net additional funding at the time of writing at £634 million. The Scottish Parliament approved a summer budget revision in light of Covid-19 which incorporated net additional funding of £234 million as per Exhibit 6.

Exhibit 6
Approved transport budget revisions

Business area	Additional funding £m	Redeployed savings £m	Net additional funds £m
Rail Services	220	(20)	200

Business area	Additional funding £m	Redeployed savings £m	Net additional funds £m
Concessionary Fares & Bus Services	92	(92)	0
Ferry Services	46	(12)	34
TOTAL	**358**	**(124)**	**234**

Source: The 2020-21 Summer Budget Revision: The Scottish Government; May 2020

45. Further budget revisions are expected in autumn 2020 and spring 2021. As the pandemic progresses and the impact is better understood, Transport Scotland will need to review its plans on an ongoing basis to ensure they remain flexible in supporting the transport sector.

Recommendation 5

Transport Scotland should ensure its financial plans are flexible to meet the changing requirements brought about by the Covid-19 pandemic.

Part 4

Governance and transparency

Main judgements

As a result of the Covid-19 pandemic, the senior management team met more regularly. This is appropriate but, given the changes in its operating circumstances, it should consider how best to continue to inform the public about its decision-making processes.

Transport Scotland staff have been largely working largely from home and controls have operated well during the period of the pandemic.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Governance arrangements have been subject to change in 2019/20, largely due to the Covid-19 pandemic

46. Since 2010/11, Transport Scotland has operated without a board, which differs from other executive agencies of the Scottish Government. Responsibility for key decisions instead falls to the SMT. Over the course of 2019/20 there have been some changes to this team through resignations, retirements and cover for a secondment and maternity leave. These changes have been well managed over the period although it is noted that due to the Covid-19 pandemic, the Director of Finance post has been filled on an interim basis since January 2020.

47. Throughout most of the year, the SMT met on a monthly basis with papers provided to external audit. Since March 2020, as a result of the Covid-19 pandemic, the SMT has met on a more frequent basis involving daily catch-ups and twice weekly meetings. These meetings have been conducted remotely.

48. Transport Scotland's ARC is made up of three non-executive members to support the Chief Executive (as accountable officer) over issues of risk, control and governance and associated assurance through a process of constructive challenge. The ARC meets four times over the course of a year and is routinely attended by the Chief Executive and Director of Finance and Corporate Services, as well by representatives from internal and external audit. The most recent meetings have also been conducted remotely in light of the Covid-19 pandemic. During 2020, ARC members also provided support to the Chief Executive during discussions regarding funding adjustments as a consequence of the Covid-19 pandemic.

49. These arrangements were effective in helping to ensure that the organisation delivers major infrastructure projects and oversees public transport in Scotland. They should be kept under review as the situation continues to develop.

The Covid-19 pandemic had a significant impact on working arrangements from March 2020

50. The impact of Covid-19 from March 2020 has been set out in the governance statement in Transport Scotland's annual report and accounts alongside actions taken. These were significant and allowed Transport Scotland to continue to manage its operations during a period of unprecedented threat to its staff and operations. We note that the following steps were taken:

- Staff have been home working since March 2020
- Control processes were reviewed to ensure they remain appropriate for remote working
- Each directorate now has its own Covid-19 cell which reports to the transport hub and the Scottish Government's Resilience Response team
- Additional staff have been deployed to the accounts payable team during lockdown to ensure that payments continue to be made in a timely fashion to support key stakeholders in transport.

51. Transport Scotland has recognised the potential impact from Covid-19 in its corporate risk register. It has identified controls to mitigate the impact (in addition to those listed above). These include links with key stakeholders (including the Scottish Government) and a programme-controlled approach to all Covid-19 workstreams (transport stability, supporting the health sector, transport transition, economic recovery and transport futures). Further actions are planned, such as impact reviews on each of the workstreams and allowing for flexibility to provide additional resource to business-critical areas.

52. The arrangements put in place have been appropriate and have ensured that Transport Scotland has continued to operate during the period of lockdown.

Openness and transparency

53. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how an organisation is taking decisions and how it is using resources such as money, people and assets.

54. During the period when the SMT still met on a monthly basis, agreed minutes were published on the Transport Scotland website. Since the significant upscaling in SMT meetings in March 2020, as part of its emergency crisis response, Transport Scotland has not published any minutes. The normal cycle of SMT meetings resumed in June and minutes of those meetings have yet to be published at the time of writing. In the interests of transparency, Transport Scotland should consider how best to inform the public of the key decision-making processes in place.

55. Members of the SMT record relevant financial and business interests in a register maintained by the Scottish Government. While we were able to inspect the register and confirmed that there were no conflicts of interest which required to be disclosed, it is not currently publicly available. This is not in keeping with the Scottish Government's 'On Board' guidance. During 2019/20 Transport Scotland considered how best to meet with this best practice guidance and agreed the approach to publish relevant details together with its Public Services Reform (Scotland) Act disclosures.

Recommendation 6

To enhance transparency Transport Scotland should agree its approach to publishing information which demonstrates its key decision-making processes during the Covid-19 pandemic and to take forward its plans to publish the senior management team's register of interests within Public Services Reform (Scotland) Act 2010 disclosures.

The performance report was of a good standard

56. In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of Transport Scotland's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

57. Due to complications brought about by the Covid-19 pandemic and in agreement with the auditor, Transport Scotland opted to provide a basic version of the performance report for review. This includes all information that will be presented in the final version of the document but without graphics/pictures. This was sufficient for audit purposes.

58. The report demonstrated that progress made in previous years was maintained. This includes clear links from the National Performance Framework through the new National Transport Strategy (NTS) and ultimately to the nine objectives of the current corporate plan.

59. Key performance indicators have been developed for the 2019/20 report, and Transport Scotland has informed us that it plans to use future indicators from the NTS. Overall, we considered the report to be balanced. Following discussion with us, Transport Scotland included additional commentary on the impact of Covid-19 on performance under key risks and challenges section of the performance report.

Part 5

Value for money

Main judgements

Audit testing confirmed that the new grant funding arrangements with Network Rail are being adhered to and Transport Scotland is using its new powers to enhance its monitoring of rail infrastructure projects. More work is required to assess what impact the new arrangements are having on the condition of the rail network.

Value for money is concerned with using resources effectively and continually improving services.

60. .

Impact from Covid-19 on planned audit work

61. As a consequence of the Covid-19 pandemic, much of our planned work in this area has been curtailed. A planned review of climate change preparations and the proposed impact assessment of our report on the Forth Replacement Crossing have been postponed. However, updates in some areas are provided based on work we have been able to carry out.

National Transport Strategy

62. Transport Scotland published its new National Transport Strategy (NTS) in February 2020. This placed climate change as one of its four priorities. The new NTS also promotes a model titled the sustainable investment hierarchy to inform future investment decisions. In particular, this places emphasis on how these decisions impact on climate change targets. Transport Scotland planned to produce a revised Corporate Plan for 2020-23 in spring 2020. However, as a result of the Covid-19 pandemic this has been delayed until spring 2021

Glasgow Prestwick Airport

63. At the time of writing, the proposed sale of Glasgow Prestwick Airport (GPA) has yet to conclude. We have been informed that the pandemic has led to a delay in the process. During 2019/20 a further £3.5 million worth of loans was provided to the holding company (TS Prestwick HoldCo). Transport Scotland omitted to include a further £1.4 million worth of interest charges in the 2019/20 annual report and accounts (see paragraph 28). This takes total borrowing to £43.4 million with additional accrued interest of £5.1 million.

64. In keeping with Transport Scotland's approach in 2018/19, these loans were impaired to ensure that the carrying amount on the Statement of Financial Position remains consistent with the value of underlying assets of GPA. We are satisfied that this approach is in line with the relevant accounting standard (IFRS 9).

Rail services in Scotland

65. In our 2019/20 annual audit plan we proposed to monitor developments regarding a replacement provider for the ScotRail franchise. We have not had the opportunity to review these arrangements this year, but Transport Scotland has reported a slight improvement in franchise performance over the period (including improved customer satisfaction).

66. We also proposed to consider the effectiveness of new arrangements in place at Transport Scotland to maintain and enhance rail infrastructure in Scotland. This followed a change in the funding model for Network Rail, moving from covering its debt financing costs to grant funding with a new set of governance arrangements being implemented (Team Scotland).

67. While we have not been able to perform a full assessment of the effectiveness of Team Scotland, we did carry out some work on grant payments to Network Rail. This work involved reviewing payments covering operations, maintenance and renewals (OMR) and enhancement works. We concluded that the conditions of grant were being adhered to and the expenditure was valid. We also noted that Transport Scotland is making use of its new powers to pilot alternative approaches which do not necessarily involve Network Rail in rail infrastructure projects. This has seen the ScotRail franchise provider (Abellio) construct a new station at Robroyston.

Ferry services

68. In our 2019/20 plan we highlighted two issues in relation to ferries which we would follow up this year. This included the construction of two new vessels at Ferguson Marine Engineering Limited in Port Glasgow. Through discussion with senior officers we understand that responsibility of funding for all costs regarding the now publicly owned yard lies with the Scottish Government. At present the loan arrangements which Transport Scotland has in place with CMAL (Caledonian Maritime Assets Limited) for the two vessels remain unaltered

69. We also referred to a challenge raised by CalMac (CalMac Ferries Limited) to the decision to award the Norther Isles ferry contract to Serco. During the year, the publicly owned operator opted against a challenge which has meant that Serco will operate the contracts for a period of six years.

National performance audit reports

70. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published, two of which are of direct interest to Transport Scotland. These were 'Scotland's City Region and Growth Deals' and 'Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models'.

71. Both reports have been presented to the Scottish Parliament's Public Audit and Post Legislative Scrutiny Committee. However there has not yet been an opportunity to present these to the Transport Scotland ARC. We will look to address this in 2020/21. A summary of all national reports published in 2019/20 is outlined in Appendix 4.

Appendix 1

Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Assets under construction** Upon review of the closing net book value and transfer amounts in the assets under construction category, we concluded that the remaining balance in respect of AWPR (confirmed previously at around £400 million) had not been transferred to the trunk roads network category. Transport Scotland confirmed that the AWPR had been signed off as completed in November 2019 and agreed that as all sections of the new road are now incorporated within RAAVS there should be no residual balance within assets under construction. Transport Scotland identified a total balance of £392 million within the assets under construction category which related to the AWPR. Risk – The assets under construction balance could be materially misstated.	Transport Scotland should reconcile the assets under construction closing balance to ongoing projects at the end of the year and ensure that it remains accurate. Exhibit 3, item 20	We agree with this recommendation and the Financial Accountant will implement it at the next year end.
2	**Land and property acquisition provision** Transport Scotland includes a provision within its accounts relating to the likely compensation payable in respect of road or rail schemes. Estimates are provided by the Valuation Office Agency (VOA) to support this provision. From our testing we found a significant difference of £24 million in the value of the provision as at 31 March 2020 to an estimate prepared as at	Transport Scotland should carry out a thorough review of likely compensation payments at year-end (using the most recent estimates from the VOA) to ensure that the provision is reasonably reflective of this. Exhibit 3, item 3	We agree this recommendation and the Financial Accountant will instruct the relevant Directorate Finance Partners to undertake this review at the next year end.

No.	Issue/risk	Recommendation	Agreed management action/timing
	June 2020. Upon further review Transport Scotland concluded that the provision was overstated and opted to adjust the balance by £20 million. Risk – The provisions balance is materially misstated.		
3	**Network Rail April payments** Transport Scotland makes advance payments to Network Rail to allow it to carry out work to maintain and enhance the rail network. These payments are made to ensure that Network Rail have the funds available on the first day of each calendar month. To achieve this, Transport Scotland commences the payment a few days prior to the end of a month to allow for clearing. This creates a problem at year-end as the amount is shown as a creditor balance within Transport Scotland's payables system at 31 March, with an off-setting prepayment. The applicable accounting standard (IFRS 9) does not allow the creation of a liability until one of the parties has performed under the agreement. Risk – there is a material misstatement in the payables and receivables balances.	Transport Scotland develops a procedure to ensure that payments to Network Rail for April of each year are correctly recorded in the underlying financial ledger. Exhibit 3, item 4	We agree this recommendation and the Rail Directorate Finance Partner and Rail Management Accountant will undertake this with immediate effect in relation to April 2020 and continue in respect of future years.
4	**Inflation in provision discounting** The FReM requires public bodies to discount provisions by applying discount rates set by HM Treasury. Recently Treasury changed from providing real rates to nominal rates to avoid specifying the inflation rate to be used but provide suggested rates as bodies are still required to incorporate inflation. Testing of provisions found that Transport Scotland	Transport Scotland should ensure that inflation is taken into consideration when discounting provision balances in future. Paragraph 28	We agree this recommendation and the Financial Accountant will implement it at the following year end.

No.	Issue/risk	Recommendation	Agreed management action/timing
	correctly applied the discount factors provided by HM Treasury, as required by the FReM, but did not incorporate either the suggested inflation rates or any others. Risk – the provisions balance does not meet with FReM requirements.		
5	**Impact of Covid-19 on financial plans** Transport Scotland has proactively sought to amend its financial plans to ensure that transport operators are supported through the Covid-19 pandemic from the reduction in fare income. As the pandemic changes, plans are likely to have to change as well. Risk – transport operators are not properly supported during the pandemic.	Transport Scotland should ensure its financial plans are flexible to meet the changing requirements brought about by the pandemic. Paragraph 45	We agree this recommendation and the Director of Finance will continue to ensure that our financial plans remain flexible to meet the changing requirements.
6	**Transparency** Transport Scotland formerly published minutes of monthly senior management team (SMT) meetings, however as meetings have increased in light of Covid-19, minutes have not been made available. Transport Scotland has also been considering options how to publish details of the SMT's register of interests in line with the Scottish Government's 'On:Board' guidance. Risk – Transport Scotland is not transparent in its decision-making process	To enhance transparency Transport Scotland should agree an approach to publishing information which demonstrates its key decision-making processes during the Covid-19 pandemic and take forward its plans to publish the senior management team's register of interests within the Public Services Reform (Scotland) Act 2010 disclosures. Paragraph 55	The minutes of the normal cycle of SMT meetings that resumed in June will now be published.
Follow up of prior year recommendations			
1	**IFRS 9 preparations** The draft accounts presented to audit did not incorporate changes resulting from implementing the new accounting standard IFRS 9.	Transport Scotland should plan sufficiently in advance for all future changes in accounting standards to ensure that draft accounts are presented which are free from material misstatement.	**Complete** There were no significant new accounting standards in 2019/20. There were no further issues regarding IFRS 9 in 2019/20.

No.	Issue/risk	Recommendation	Agreed management action/timing
	Risk – Although Transport Scotland identified appropriate adjustments, as this was at an advanced stage of the audit there is a risk that these are not subject to the appropriate level of management checks due to time pressures.		
2	**Property sales notification** Audit testing of a property sale which was concluded on 29 March 2019 found that it had erroneously been omitted from the Transport Scotland 2018/19 financial statements. Risk – Material sales are incorrectly omitted from the accounts.	Transport Scotland should put in place a process which ensures that any such property sales are appropriately communicated to the finance team.	**Complete** There were no such issues in 2019/20. Transport Scotland finance staff confirmed that colleagues in Major Project Sale of Surplus Land team checked and confirmed the list of properties held to be accurate and complete.
3	**Grants to third parties** Audit testing of a sample of grant payments to third parties found that one such body had not fully complied with the conditions of grant. The grant award letter had stipulated that all grant payments (used to subsidise an operating deficit) should be supported by a cash flow analysis. Our review found two such payments which had not been appropriately supported by a cash flow analysis. Risk – A third party body fails to comply with conditions of grant which indicates that it cannot deliver the aims and objectives identified for the funding.	Transport Scotland should ensure that conditions of grant are communicated to third parties in advance of payments and require that these are adhered to fully.	**Complete** Testing confirmed that the third- party supplier in question did provide appropriate cash flow analysis in 2019/20. Furthermore, there were no other similar instances.
4	**Fair pay disclosure** The Government Financial Reporting Manual (the FReM) requires the disclosure of the median remuneration of the reporting entity's staff, based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at the reporting date. Our review found that Transport	Transport Scotland should, along with the Scottish Government, consider developing an approach which incorporates agency staff into the fair pay (median) calculation.	**Ongoing** Transport Scotland has engaged with the Scottish Government, who produce the median pay calculation for its fair pay disclosure. Transport Scotland will further consider the advice provided by the Scottish Government to progress this action.

No.	Issue/risk	Recommendation	Agreed management action/timing
	Scotland’s calculation does not incorporate agency staff. Risk – The fair pay disclosures in the remuneration and staff report are inconsistent with the FReM.		

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider responsibility under the *Code of Audit Practice 2016*.

Add in any additional audit risks arising from COVID-19-19 along with any new 'standard risks' identified in the revised 2019/20 Audit Planning Guidance

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of material misstatement caused by management override of controls Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	No issues were found in relation to journals. Some issues were found in relation to estimates (land provision) and accruals and prepayments (in relation to April payments to Network Rail). These were resolved satisfactorily. Although some issues were found, we are satisfied that this is not indicative of management override of controls. Some improvements are recommended in Appendix 1 (items 2 to 4).
2 Risk of material misstatement caused by fraud in expenditure As most public-sector organisations are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. Transport Scotland makes large value grant payments to third party organisations, including Network Rail under new funding arrangements which commenced in April 2019. Due to the scale of these payments (some of which occur	Detailed review of expenditure items across all material account areas and covering the financial year.	Through testing a large expenditure sample covering all material areas, no instances of fraud were found. We are satisfied that there are appropriate controls in place over expenditure.

Audit Risk	Assurance procedure	Results and conclusions
near the year-end) there is a risk that an incorrect payment could impact significantly on the overall resource position.		
3 Estimation and judgements There is a significant degree of subjectivity in the measurement and valuation of the following material account areas: non-current assets (relating to the trunk road network, assets under construction and consequential adjustments in the revaluation reserve); and current and non-current liabilities (relating to significant accruals, PFI/NPD liabilities and provisions). This subjectivity represents an increased risk of misstatement in the financial statements.	Interim audit work will review controls regarding the roads asset valuation system (RAAVS). Review of management experts associated with the trunk roads network. These being Atkins and the Valuation Office Agency (VOA). Focused testing of postings made between the revaluation reserve and the general fund. Substantive testing/ verifications of year-end accruals (capital and revenue). Comparing PFI/NPD liabilities to supporting financial models. Reviewing the land and property acquisition provision in context of the estimate prepared by the VOA.	Testing found some issues in relation to the land and property acquisition provision which resulted in an adjustment. We also considered the extent of uncertainty regarding land valuations regarding the trunk road network. The valuer identified that while there is likely be some variation, it is not possible to suggest with any certainty any change to the January figures without considerable additional work. We are satisfied that following discussion with Transport Scotland (and adjustment in the case of the provisions balances) that disclosures reflect the best available evidence. We have raised an audit recommendation in Appendix 1, item 2 re the provisions issue.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
4 Climate change emergency The 2019/20 Programme for Government identifies transport as a primary area for concern regarding the climate change emergency and the need to reduce Scotland's emissions. Specific targets set out by the Scottish Government include creating the world's first zero emission aviation zone in the Highlands and Islands, and de-carbonising Scotland's railways by 2035. Improving air quality and overall climate change action have also been raised as risks in Transport Scotland's Corporate Risk Register. Transport Scotland's ability to deliver on these targets to schedule and budget presents a reputational risk.	Review high-level strategic plans and arrangements in place at Transport Scotland to respond to the climate change emergency. We will liaise with internal audit regarding work in this area to ensure there is no duplication.	Due to the impact of the Covid-19 pandemic we have not had the opportunity to carry out our planned work in this area. We did though review the internal audit report and note the Reasonable Assurance conclusion from and the associated recommendations for improvement.
5 EU withdrawal In June 2016, the UK voted in favour of leaving the European	Review arrangements in place at Transport Scotland ahead of	While our work has been curtailed here in light of the Covid-19 pandemic, we received feedback

Audit Risk	Assurance procedure	Results and conclusions
Union. The outcome of the December 2019 UK general election will likely lead to the approval of the UK government's withdrawal agreement. This will result in the UK withdrawing from the European Union on 31 January 2020 and will have a significant impact upon services which fall under Transport Scotland's remit, including maritime and air travel.	a confirmed timescale for the UK withdrawing from the EU	from Transport Scotland that it would continue to engage with the UK Government and stakeholders to identify Scottish interests in the transport negotiations with the EU, and work to ensure these are protected. We also note from the 2019/20 accounts that the Transport Scotland EU Exit Action Plan has been maintained, contingency Planning reviewed and Scottish Transport Logistics Intelligence Group established.

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below amendments that would be required to misstatements that were identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as shown in Exhibit 2. We are satisfied that these errors do not have a material impact on the financial statements however we request that they be corrected.

#	Account areas	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Trunk Road Network					
1	Property, Plant & Equipment			13,400	
	Revaluation reserve				(13,400)
Other assets / liabilities and expenditure					
2	Income	990			
	Trade and other receivables				(990)
3	Property, Plant & Equipment			990	
	Revaluation Reserve				(990)
4	Provisions				(1,271)
	Property, Plant & Equipment			1,271	
5	Provisions			845	
	Provisions				(845)
6	Financial Assets				(3,200)
	General Fund			3,200	

#	Account areas	Comprehensive income and expenditure statement		Balance sheet	
7	Trade and other receivables			477	
	Trade and other payables				(477)
8	Income		(1,360)		
	Expenditure	1,360			
Net impact		**2,350**	**(1,360)**	**6,783**	**(7,773)**

Notes:

Entry 1 relates to the quarter 4 Baxter indexation change. Transport Scotland does not receive the quarter 4 Baxter indexation data until after the draft accounts are submitted for audit. We are required to treat any difference between the final figures and the figures which are included in the draft accounts(which are based on the quarter 3 indexation data) as a misstatement as part of our overall assessment of the total value of errors compared to our performance materiality level. Transport Scotland opted not to adjust for the final figure as it was below the level of performance materiality for the roads network.

Entries 2 and 3 relate to the sale of a piece of land which was concluded in 2018/19 but incorrectly posted to 2019/20. This was also reflected as an unadjusted error in our annual audit report for 2018/19.

Entry 4 relates to the non-inclusion of inflation in the discounting of provisions (see paragraph 28).

Entry 5 relates to classification errors within provisions which do not impact on the overall provisions balance.

Entry 6 relates to an adjustment to the carrying value of loans to a third party (the Energy Savings Trust) required under IFRS 9 to represent discounted future cash receipts.

Entry 7 relates to a debit balance included within trade payables related to loans to a third party (CMAL).

Entry 8 relates to the omission of interest charges on the loan to TS Prestwick Holdco Limited regarding Glasgow Prestwick Airport.

Appendix 4

Summary of national performance reports 2019/20

Central Government relevant reports

Social security: Implementing the devolved powers – May 2019

Enabling digital government – June 2019

Scotland's City Region and Growth Deals – October 2019

Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models – Jan 2020

Early learning and childcare: follow-up – March 2020

Transport Scotland

2019/20 Annual Audit Report

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