

External Audit Report – South West of Scotland Transport Partnership (SWESTRANS)

Financial year ended 31 March 2022

Prepared for those Charged with Governance and
the Controller of Audit

April 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect South West of Scotland Transport Partnership (SWESTRANS) or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This table summarises the key findings and other matters arising from the external audit of South West of Scotland Transport Partnership (SWESTRANS) and the preparation of the financial statements for the year ended 31 March 2022 for those charged with governance and the Controller of Audit.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The SWESTRANS financial statements give a true and fair view in accordance with applicable law and CIPFA Code of Practice on Local Authority Accounting 2021/22 ('the 2021/22 Code') of the state of the Partnership as at 31 March 2022 and of the income and expenditure of the Partnership;
- the Partnership's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS), as interpreted and adapted by the 2021/22 Code;
- the Partnership's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) regulations 2014, and the Local Government in Scotland Act 2003.
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003. We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We have issued an unmodified audit opinion on the annual report and accounts.

As in prior year our external audit work was completed remotely. The financial statements presented for audit were of a good quality and the Partnership's finance team have supported the audit process, by providing suitable working papers and answering our auditor queries on a timely basis.

We would like to highlight that the delay in completing the audit in time for Audit Scotland's deadline of 30th November 2022 is not a reflection on the Partnership and their support of the audit process, but rather a result of the prioritisation of the Dumfries and Galloway Council's audit and the delay in concluding this audit.

Our agreed adjustments, and those not adjusted by Officers, are set out in Appendix 1. In addition, we recommended certain enhancements to the disclosures in the accounts, and these are also captured in Appendix 1.

This is our last year as the Partnership's appointed auditors and we wish to thank the Partnership and the finance team for supporting the audit process over our audit appointment.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2021/22 have been:

- An audit of the Partnership's annual report and accounts for the financial year ended 31 March 2022;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code')
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the SWESTRANS Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

SWESTRANS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Partnership is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to SWESTRANS throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and sustainability, risk and performance. In so doing, we aim to help the Partnership promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Key messages and judgements

We have identified no adjusted audit misstatements to the financial statements and no unadjusted misstatements. We raised a number of minor disclosure adjustments as part of our review of the accounts and annual report. Disclosure corrections identified during our audit have been detailed in Appendix 1.

Our follow up of recommendations from the prior year's audit are detailed in Appendix 2.

Our audit opinion

For the financial year ended 31 March 2022 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- SWESTRANS financial statements give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of the Partnership as at 31 March 2022 and of the income and expenditure of the Partnership for the year then ended;
- SWESTRANS financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS), as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2021/22 ('the 2021/22 Code');
- SWESTRANS financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) regulations 2014, and the Local Government in Scotland Act 2003; and
- The audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

The audit process

Our external audit work commenced in late November 2022 with the audit team working remotely however due to various resourcing constraints this work was delayed until January 2023. The Partnership prepared and published the unaudited annual report by the end of June, as required. The overall quality of the accounts were of a good standard.

The Partnership's finance team supported the audit process, with both teams working well together to resolve audit queries.

We would like to highlight that the delay in completing the audit in time for Audit Scotland's deadline of 30th November 2022 is not a reflection on the Partnership and their support of the audit process, but rather a result of the prioritisation of the Dumfries and Galloway Council's audit and the delay in concluding this audit.

Audit of the annual report and accounts

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our audit plan. We revised our planning assessment of materiality downwards based upon your 2021/22 unaudited financial statements and concluded that materiality is £89,800 for entity, representing 2% of gross expenditure.

Performance materiality was set at £67,350, representing 75% of our calculated materiality.

We report to Officers (Management) any difference identified over £4,500 (being 5% of materiality).

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Partnership's control environment. The Partnership operates primarily under Dumfries and Galloway Council's control environment and we have utilised our understanding of the Council's own system of internal control as part of our audit planning and fieldwork. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override SWESTRANS' internal controls, related to individual transactions.

Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements.

In response to this significant risk, our audit response was as follows:

- We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- We reviewed accounting estimates for management bias/indication of fraud that could result in material misstatement.
- Journals testing including:
 - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
 - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they were appropriate and suitably recorded in the financial ledger;
 - Target testing of transactions and journals posted around the financial year end, reviewing to understand the rationale for these entries.

Conclusion

Based on our risk based testing, as outlined above, we did not find evidence of management override of controls in our testing of journal transactions or instances of material error.

Risks identified in our Audit Plan

Risk of fraud in expenditure recognition (completeness/occurrence of year end expenditure)

Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). SWestrans expenditure includes recharges from the Council for the costs of administrative and operational support to SWestrans. In addition, SWestrans provides subsidy payments to local bus network which is recognised as expenditure during the year. With the focus on financial performance on at least breaking even each year, there is a risk Officers may be incentivised to fraudulently record expenditure. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.

Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of the need to achieve the financial targets set.

Commentary

In response to this significant risk, our audit response was as follows:

- perform walkthroughs of the controls and procedures over non-pay expenditure streams;
- Substantive testing of non-pay expenditure streams throughout the year to confirm its occurrence and accuracy of recording with a heightened risk around the year-end where we consider greatest incentive / opportunity for material misstatement
- Focused substantive testing of non-pay expenditure recognised post year end (April to July) to identify if there is any potential understatement to address the risk of cut-off;
- Review of accruals and payables, where material, around the year-end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exception in the completeness and accuracy of accruals or payables balances at year end.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the SWESTRANS and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 Local Government Accounting Code of Practice.
- We enquired of Officers and those charged with governance, concerning the Partnership's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Officers and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of SWESTRANS financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Partnership's financial performance for the year. Our audit procedures are documented within our response to the significant risk of management override of controls.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The Partnership's operations, including the nature of its operating income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Partnership's control environment, including the policies and procedures implemented by the Partnership to ensure compliance with the requirements of the financial reporting framework.

Significant estimates and judgements

South West of Scotland Transport Partnership's annual report and accounts contain limited areas of estimation and judgement. The only area of estimation in the accounts relates to depreciation. Depreciation is charged over the expected useful economic life of the assets and our audit testing did not identify any indication of management bias or error in the calculation of depreciation. We are satisfied this does not represent an area of significant estimation or judgement.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Partnership's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from Officers regarding management's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of the Partnership's accounting policies, accounting estimates and financial statement disclosures. The Partnership's accounting policies are in line with the Local Government Accounting Code of Practice.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.

Issue	Commentary
Annual Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). We have continued to identify opportunities to enhance disclosures in the Annual Governance Statement, particularly around the assurances over internal control from Internal Audit (refer to Appendix 2 follow up of prior year recommendations where this has been highlighted). There were no further matters arising from our review of the governance statement that we would draw attention to.
Matters on which we report by exception	We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A letter of representation has been requested from the Partnership. Specific representations have been requested in line with prior years and confirms as auditors all records have been made available to us.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Partnership meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Wider Scope Audit – Smaller Body

As set out in our Audit Plan, the Partnership meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Annual Governance Statement. Below, we have captured our commentary and conclusions on governance arrangements and financial sustainability.

Wider Scope dimension	Wider Scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
Governance Arrangements (Audit Scotland planning guidance consideration)	No significant risks identified within our audit planning	<p>Governance</p> <p>Since the beginning of the Covid-19 pandemic, the Partnership have implemented home-working arrangements and these carried through to the end of the 2021/22 financial year. Additional governance arrangements were in place such as remote meetings of the Partnership Board. The Partnership has resumed conducting in-person meetings since June 2022. SWESTRANs has a suite of governance documents, including policies and procedures and these are were reviewed and updated in 2022.</p> <p>Currently officers and the Partnership Board take assurances from the Council’s internal audit service around the effectiveness of the internal control environment. However, we have continued to report that there is no formal reporting arrangements in place to provide independent assurance from Internal Audit to SWESTRANs. A recommendation in this respect was raised in 2018/19 and continues to be highlighted as an area that should be considered by board members and officers of the partnership.</p> <p>There were no significant control deficiencies or issues identified through internal Audit’s work on the Council’s internal control environment that would impact on SWESTRANs and require specific disclosure in the Annual Governance Statement. Based on our audit work performed we are satisfied that the statement is a fair reflection of the risks and issues impacting the Partnership.</p>	<p>We have not identified any concerns around the Partnership’s governance arrangements.</p> <p>We continue to report on the recommendation raised in 2018/19 regarding the opportunity for independent assurance to be provided by internal audit on SWESTRANs effectiveness of internal controls and control environment.</p> <p><i>See Appendix 2. Follow up of previous year recommendations.</i></p>

Wider Scope dimension	Wider Scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability (as applicable to a smaller body)	No significant risks identified within our audit planning	<p>For the year ended 31 March 2022, the Partnership reported total comprehensive expenditure for the year of £265,000 (2020/21: Income £22,000). The decrease in reported position from the prior year is primarily related to the capital grant and contribution of £285k which was received in the prior year and not in the 2021/22 financial year. The net cost of services reported year on year remains consistent.</p> <p>SWESTRANs delivered an overall breakeven position against budget. The main area of expenditure in year related to contacts of bus transport services and was funded through Scottish Government Grants and Dumfries and Galloway Council funding.</p> <p>SWESTRANs recognise wider risks in relation to pressures on finances to support the organisation in continuing to deliver its objectives. The Partnership Board approved the budget for 2022/23 in March 2022. The budget reflects a similar position to that of 2021/22, with an uplift in staffing costs. The budget includes £100k funding from D&G Council, £259k funding from Scottish Government and £4,142k funding from other contributions.</p> <p>The recent consecutive one-year funding settlements have created challenges in the partnership's ability to plan for the medium to longer term and is a key anchor point for strategic planning for the organisation. This is compounded by an uncertain financial climate where inflation is increasing at record rates and the cost of living crises is pushing up costs for all areas of the economy. It is important that the Partnership seeks to embed elements of these uncertainties within continuous financial planning and reviews including risk and sensitivity analyses to assess and mitigate against the impact of any future risks on delivery of the financial position before they crystallise. We continue to report the need for SWESTRANs to look to develop medium to longer term financial plans to support the organisation with potential future financial pressures.</p>	<p>Throughout our audit procedures we have not identified any significant risks in relation to the Partnership's financial sustainability.</p> <p>Officers recognise the financial pressures faced in delivering planned activities with funding continuing to be made available from constituent authorities and the external bodies.</p> <p>There is an opportunity to have greater focus on medium to longer term financial plans to ensure there continues to be a strategic approach to financial planning.</p> <p><i>See Appendix 2. Follow up of previous year recommendations.</i></p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. We can report (subject to audit completion) there were no corrected or uncorrected misstatements above our reporting threshold to the financial statements arising during our audit.

1. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Financial Instruments	<p>As per IAS 32, Paragraph 11, Financial Instruments exclude statutory contractual items such as VAT. Hence VAT recoverable of £17k in 21/22 and £8k in 20/21 should not be considered as Financial Asset.</p> <p>The debtors balance was shown as a negative however this should be shown as positive within the Financial Instruments note.</p>	Yes
CIES	<p>The total deficit on provisions of services was not mathematically accurate and should be £265k. This is a casting error only and has no impact on the reported financial position.</p> <p>The heading for current year was shown as 2020/21 however should be stated as 2021/22.</p>	Yes
MIRS	<p>Casting issues were identified with the MIRS statement. This is a casting error only and has no impact on the reported financial position.</p>	Yes
Various	<p>A number of other minor disclosure and presentational amendments were identified and corrected by management.</p>	Yes

2. Follow up of previous year recommendations

We are pleased to report there were no audit recommendations arising from our audit work in the current year. We set out below our follow up on our prior year audit recommendations. There were no recommendations in 2020/21, however follow up of two recommendations from 2019/20 is reflected below.

Internal Audit (original recommendation 2018/19)

The Internal Audit section of Dumfries & Galloway Council has reviewed these systems and has determined that reasonable assurance can be placed upon the adequacy and effectiveness of the systems. While we recognise that the assurance provided by the Council's Internal Audit services provides some assurance to SWestrans around design and operating effectiveness of key financial processes, there is limited assurance over key strategic risks to the organisation. We recommend that SWestrans explore options, including utilising Internal Audit to obtain independent assurance over key areas of strategic risk. Areas could include financial and operational planning and governance arrangements. During 2019/20 while some assurance to SWestrans around design and operating effectiveness of key financial processes, there is limited assurance over key strategic risks to the organisation. There is an opportunity for SWestrans to obtain independent internal audit assurance over governance, risk management and internal controls relevant to SWestrans.

Initial management response: Options to obtain independent assurance continue to be explored

Follow up: Outstanding

Current year management response: No further progress has been made on this recommendation. However, with the addition of new dedicated SWestrans staff in the latter part of 2022 more detailed work on strategic and business plans will be undertaken which will include full consideration of this recommendation.

Responsible Officer: Lead Officer

Implementation Date: 2022/23 financial year end

2. Follow up of previous year recommendations (continued)

Strategic Financial Planning (original recommendation 2018/19)

Due to annual funding settlement as well as restrictions on the organisation's ability to hold reserves, SWestrans financial plans are primarily based on an annual basis. Given the financial pressures facing the organisation it is important that medium to longer term financial plans are in place to ensure that SWestrans has a sustainable operating model in place to support service delivery. With the draft Transport Bill, there is potentially opportunity for SWestrans to retain reserves in the future providing an opportunity for more strategic financial planning and investment decisions.

The provisions within the act would enable SWestrans to building reserves in futures years. This would enable SWestrans to work with its strategic partner to look to generate reserves that would provide greater financial autonomy in future years to make strategic investments in year funded through reserves. SWestrans' has an approved budget for 2019/20. While there is a longer term view for capital investment (3 year plan), SWestrans' should look to develop medium to longer term financial plans to support the organisation take a strategic approach to addressing the financial pressures facing the organisation.

Initial management response: We will review the introduction of a draft financial plan linked to the Council's 3 year plan.

Follow up: Outstanding

In March 2021, SWestrans approved a three year capital programme from 2021-2024 covering the strategic capital investment over the coming years. However, the revenue budget continues to be set for a single year, reflecting the annual funding settlement from constituent authorities and the Scottish Government. SWestrans' should look to develop medium to longer term financial plans to support the organisation take a strategic approach to addressing the financial pressures facing the organisation.

Current year management response: Due to the annual funding settlement provided to Dumfries and Galloway Council, the SWestrans revenue budget continues to be set for a single year which restricts our ability to implement this recommendation.

Responsible Officer: Lead Officer

Implementation Date: Management and Board members should continue to reflect on the need to plan for medium to longer term however we understand this is challenging with the annual budget setting process on which the Partnership relies upon other bodies. No date has been provided for implementation however consideration of this should be made annually as part of the budget setting process.

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	9,090
Pooled costs	950
Contribution to Audit Scotland costs	490
Contribution to Performance Audit and Best Value	Nil
2021/22 Fee	10,530

Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](https://www.grantthornton.co.uk/transparency-report-2021) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

4. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Partnership's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

