

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP**30 JANUARY 2008****2007/08 AND 2008/09 – 2010/11 CORE REVENUE BUDGET****JOINT REPORT BY TREASURER AND DIRECTOR**

This report updates the Partnership on projected Core Revenue Budget Expenditure in 2007/08 and seeks the Partnership's approval of a proposed Core Revenue Budget for financial years 2008/09 – 2010/11.

1 RECOMMENDATIONS

1.1 That the Partnership :-

- (i) notes the projected Core Revenue Budget outturn position for financial year 2007/2008, as detailed in the report and Appendix A;
- (ii) approves the External Audit Plan for 2007/08 as detailed in Appendix B; and
- (iii) approves a Core Revenue Budget for financial year 2008/09 and indicative budgets for 2009/10 and 2010/11, as detailed in Appendix C.

2 BACKGROUND

2.1 Regional Transport Partnerships are funded through a combination of Scottish Government grant and requisitions from constituent Councils. At its meeting on 20 February 2007 the Partnership approved a 2007/08 Core Revenue Budget of £450,000 (Report RTP/07/07 refers). This was based on receipt of Government grant of £210,000, with the remaining balance being funded through requisitions from constituent Councils totalling £200,000, plus £10,000 from retained requisitions from 2006/07, and a £30,000 contribution towards staffing costs, funded from a separate Travel Plan Grant allocation by Scottish Government for this purpose.

2.2 On 30 March 2007 Government grant awards of £210,000 for Core Costs and £320,000 for Regional Transport Strategy Development during 2007/08 were confirmed. These amounts are in addition to a separate grant of £65,000 in 2007/08 for ongoing development of Travel Plan activity, as previously confirmed in June 2006. Government grant awards are in the form of "Grant in Aid" which allows RTP's some flexibility to carry forward funding into future years, if required. Progress on commitment of the grant award for Regional Transport Strategy is discussed in a separate report.

3 DISCUSSION

2007/2008 Update

- 3.1 Projected Core Revenue expenditure for the year to 31 March 2008, based on commitments at 31 December 2007, is £340,000, as detailed in Appendix A. This generates a projected underspend of £35,000 at the financial year end, based on a reduced 75% budget requirement from Councils and Scottish Government, as discussed in 3.3 below.
- 3.2 The projected underspend largely relates to the Staffing element of the Budget, where there have been delays in appointing to vacant posts. This has also reduced expenditure under other headings such as Transport Costs and Supplies and Services.
- 3.3 The Partnership has now requisitioned sums equivalent to 75% of the full year contribution from each Council, totalling £150,000. On the basis of the current projected out-turn figure of £340,000, there is no requirement to draw down remaining Council contributions totalling £50,000. It is proposed that outstanding Council requisitions for 2007/08 are retained by Councils, with unallocated income of £35,000 being carried forward into 2008/09 to support increased activity on Travel Planning, as discussed in 3.9 below.
- 3.4 It is assumed that the Scottish Government contribution for Core Costs will be capped at £150,000, in line with Councils' final contributions, plus the £30,000 towards the Travel Plan Officer.
- 3.5 Henderson Loggie are the Partnership's appointed External Auditors for the period 2006/07 – 2010/11. Their Annual Audit Plan for 2007/08, which has been agreed by the Treasurer and Director, is attached at Appendix B, for approval.

Core Partnership Budget 2008/09; 2009/10 and 2010/11

- 3.6 A proposed Budget for the next three financial years 2008/09 to 2010/11, is set out in Appendix C. This has been constructed in consultation with constituent Councils' Finance officers and the Chief Officers Liaison Group. In recognition of the tight nature of the Government Spending Review and Local Government settlement, the proposed 2008/09 Budget has been set at £450,000, a nil increase compared with 2007/08.
- 3.7 Allowance has been made for Pay Awards estimated at 2.5% per annum and a 1.2% increase for employer's Superannuation contributions in 2008/09. The inflationary impact of wage costs, and other anticipated increases arising from general inflation, have been contained through adjustments to a number of expenditure headings, including Supplies and Services; Travel Costs; and Training and

Conferences, where Budgets have been adjusted in line with developing experience of actual need. The proposed Staffing Budget is based upon the approved TACTRAN Executive establishment of 8 staff, and provides for uplifting of an existing Skillseeker post to Clerical Assistant.

- 3.8 The indicative Budgets for 2009/10 and 2010/11 are £470,000 and £482,000 respectively, with increases mainly due to allowance for pay awards, superannuation contributions and incremental progression for staff, plus an allowance for a probable rent increase as a result of a scheduled Rent Review due in 2009 for the Partnership Headquarters at Bordeaux House. Future inflationary pressures in a number of other cost areas (energy, insurances etc.) are difficult to predict. These will be taken into account when setting detailed budgets for 2009/10 and 2010/11.
- 3.9 As reported in 3.3 above, current projections indicate an unallocated underspend of approximately £35,000 in 2007/08. It is proposed that this is carried forward into 2008/09 as additional “non-Core” funding to support increased activity in the area of Travel Planning. In effect this would match fund £35,000 from the separate Travel Plan grant of £65,000 from Government for this purpose. As is discussed in a separate report, good progress is being made on Travel Planning. The ongoing work of the Travel Plan Officer, and increasing engagement with public and private sector bodies on this area of activity, will benefit from the proposed additional funding.
- 3.10 Initial discussions have taken place between Government officials and RTPs on indicative 2008/09 allocations for Core and “non-Core” grant. It is currently anticipated that the Partnership will be allocated a “standstill” contribution of £210,000 towards Core Costs in 2008/09, plus a further £65,000 for Travel Plan, of which £30,000 would be used to offset Travel Plan Officer staff costs, as in 2007/08. It is also anticipated that around £400,000 “non-Core” funding will be allocated to support developing the Regional Transport Strategy and other Partnership activity in 2008/09.
- 3.11 There are to be further discussions between Government and RTP officials on the 2008/09 allocations of Core and “non-Core” funding and the Partnership’s approval of a proposed Core Budget will assist these discussions. Any further developments on this will be reported orally.

4 CONSULTATIONS

- 4.1 The report has been prepared in consultation with Finance Officers of the constituent Councils and the Chief Officers Liaison Group. Scottish Government officials have also been consulted in the preparation of the report.

5 RESOURCE IMPLICATIONS

- 5.1 The approved Core Revenue Budget for 2008/09 determines the basis of funding contributions from constituent Councils. Individual Council contributions for 2008/09 and indicative requisitions for 2009/10 – 2010/11 are set out in Appendix C. These amounts have been notified to Councils for the purposes of setting their 2008/09 – 2010/11 Revenue Budgets in mid-February 2008. Council budgets for 2008/09 will be set in mid to late February.
- 5.2 A request for a contribution of £210,000 towards Core costs in 2008/09, matching the current 2007/08 amount, has been made to Scottish Government.
- 5.3 A provision for External Audit fees of £11,000 in 2008/09 has been made within the proposed Core Budget.

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Director

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Tactran Income and Expenditure Account
Core Revenue Budget
2007/2008 - Expenditure to 31st December 2007
Detailed Statement - Summary

Income	Budget £	Core Expenditure to 31/12/07 £	Projected Outturn 2007/2008 £	Variance 2007/2008
Scottish Executive Grant Revenue Received	£240,000	£150,003	£180,000	(£60,000)
Deferred Income	£10,000	£45,124	£45,124	£35,124
Council Req's Revenue Rec'd	£200,000	£100,000	£150,000	(£50,000)
	£450,000	£295,127	£375,124	(£74,876)
Expenditure				
<u>Staff Costs</u>				
Salary GP	£252,000	£93,816	£185,434	(£66,566)
Salary Supn	£43,000	£13,898	£26,088	(£16,912)
Salary NI	£22,000	£10,177	£15,985	(£6,015)
Advertising	£0	£319	£319	£319
Interview Expenses	£0	£108	£253	£253
Training & Conferences	£10,000	£4,445	£5,500	(£4,500)
Subscriptions	£2,000	£362	£500	(£1,500)
	£329,000	£123,125	£234,079	(£94,921)
<u>Property Costs</u>				
Energy	£6,000	£2,258	£4,000	(£2,000)
Cleaning	£3,000	£1,425	£2,000	(£1,000)
Maintenance	£2,000	£0	£500	(£1,500)
Rents	£12,000	£9,263	£12,000	£0
Rates	£9,000	£6,791	£6,800	(£2,200)
	£32,000	£19,737	£25,300	(£6,700)
<u>Supplies and Services</u>				
Office Consumables	£10,000	£2,200	£6,500	(£3,500)
Communications	£5,000	£0	£15,000	£10,000
Insurance	£5,000	£1,890	£5,000	£0
Information Technology	£6,000	£1,530	£4,030	(£1,970)
Hospitality	£2,000	£2,300	£2,500	£500
Board Expenses - Misc	£2,000	£0	£0	(£2,000)
	£30,000	£7,920	£33,030	£3,030
<u>Transport Costs</u>				
Travel and Subsistence	£10,000	£608	£2,000	(£8,000)
Public Transport	£1,000	£999	£1,500	£500
Parking	£2,000	£833	£2,000	£0
Expenses - Board Members	£1,000	£408	£800	(£200)
	£14,000	£2,848	£6,300	(£7,700)
<u>Third Party Payments</u>				
Audit Fees External	£15,000	£2,700	£11,000	(£4,000)
PKC Finance Service	£12,000	£0	£12,000	£0
PKC Secretariat Service	£12,000	£0	£12,000	£0
Other Third Party Payments	£6,000	£1,200	£6,000	£0
	£45,000	£3,900	£41,000	(£4,000)
Gross Expenditure	£450,000	£157,530	£339,709	(£110,291)
Net Expenditure	£0	(£137,597)	(£35,415)	(£35,415)



Appendix B

HENDERSON LOGGIE

TACTRAN

**Risk Assessment,
Annual Audit Plan and
Fee Proposal for 2007/08**

External Audit Report No: 2008/01

Draft Issued: 14 January 2008

Final Issued: 22 January 2008

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Executive Summary

1.1 Introduction and Background

1.1.1 We have been appointed by the Accounts Commission as Tayside and Central Scotland Transport Partnership's (TACTRAN) external auditors for the 5 year period from 1 April 2006 to 31 March 2011. This is our overall audit plan for the second year of our appointment. Our audit is governed by our letter of appointment, the Local Government Acts, auditing standards and Audit Scotland's Code of Audit Practice.

1.1.2 This document outlines:

- our audit framework,
- our audit approach,
- our understanding of the Partnership's business risks,
- our audit risk analysis and audit plan,
- the planned audit outputs and our proposed fee, and
- our audit team.

1.1.3 Background and planning information has been gathered through discussions with the Secretary, the Director, and the Treasurer, the Financial Accountant and the Office Manager and a review of the documents listed at Appendix I. In gathering this information we have considered planning guidance issued to us by Audit Scotland and the relevant issues in the Audit Scotland Priorities and Risks Framework document (PRF) for 2007/08.

1.2 Acknowledgements

1.2.1 We would like to take this opportunity to thank all the officers within the Partnership who assisted us in gathering information for this plan.

1.3 Summary of Planned Audit Work

Table 1: Audit Outputs

Planned outputs
Planning Risk Assessment, Annual Audit Plan and Fee Proposal
Governance Fraud Returns
Finance Communication of Audit Matters to Those Charged with Governance – ISA 260 Report Audit opinion on financial statements
Overall Conclusion Report to Members and the Controller of Audit - Annual Report

1.3.1 Additional outputs may be required where there are significant issues arising from audit work currently expected to be included in the reports above. Tables 3 and 4 identify where this may apply.

1.4 Proposed Fee

1.4.1 Based on the work we assess is required to discharge our audit responsibilities the total proposed fee including Audit Scotland's fixed charge for 2007/08 is £10,415 (Mid-Mid point), as discussed with the Director and Financial Accountant on 22 January 2008.



Audit Framework

2.1 Introduction

- 2.1.1 Our audit framework is set by our letter of appointment, the Local Government Acts, (primarily Part VII of the Local Government (Scotland) Act 1973), auditing standards, Audit Scotland’s Code of Audit Practice, and ad hoc guidance issued by Audit Scotland.
- 2.1.2 This framework provides all bodies within the Public Sector with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance.
- 2.1.3 The Code of Audit Practice recognises that full application of its requirements may be impractical or inappropriate due to the nature or size of a body. Due to the size of the Partnership our main focus will be on our financial statements audit. Further details are outlined in Sections 3 and 4.

2.2 Code of Audit Practice

- 2.2.1 An updated Code of Audit Practice (the Code) was published in March 2007. This plan takes account of the Code.

2.3 Audited Bodies’ and Auditors’ Responsibilities

- 2.3.1 Audit Scotland has issued a statement on audited bodies’ and auditors’ responsibilities in relation to all aspects covered by the audit process. The Code incorporates this statement into each section for easy reference. Attention is drawn to these relative responsibilities.

2.4 Audit Objectives

- 2.4.1 Our objectives are clearly identified in the Code, and are summarised in Table 2.

Table 2: Auditors’ objectives

Key Area	Auditors’ objective	Table 3 - Page Reference
Financial statements	Provide an opinion on audited bodies’ financial statements as required by the relevant authorities for the local government sector.	Page 7
Corporate governance arrangements	Review and report on, as required by relevant legislation and the Code, the Partnership’s corporate governance arrangements in relation to systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and the Partnership’s financial position.	Pages 8 & 9
Performance audit	Review and report on, as required by relevant legislation and the Code, the Partnership’s arrangements for securing Best Value; Regional Transport Strategy duties; aspects of managing its performance in relation to economy, efficiency and effectiveness in the use of resources.	Page 10

Source: Audit Scotland’s Code of Audit Practice

Audit Framework

2.5 *Best Value and Community Planning*

- 2.5.1 The Local Government in Scotland Act 2003 (the 2003 Act) introduced statutory requirements for both authorities and auditors in relation to Best Value and community planning.
- 2.5.2 Our involvement in Best Value audit is covered by arrangements made under section 53 of the 2003 Act, which gives the main responsibility for this aspect of the audit to teams from Audit Scotland. These teams carry out a cyclical programme of full Best Value audits across Scotland. We provide the local audit input to the work of the central teams. In other years we carry out transitional work before a full Best Value review or follow-up progress made by local authorities that have had a full review.
- 2.5.3 Audit Scotland's planning guidance advises that at this stage there are no plans to carry out Best Value reviews at the Regional Transport Partnerships. We will keep you advised of any developments in this area.

2.6 *Centrally Directed Performance Studies*

- 2.6.1 Audit Scotland undertakes a number of centrally directed performance audit reviews each year. The Code directs us to participate in these at a local level, if required. The current programme of studies does not anticipate the involvement of local auditors for 2007/08. We will keep you advised of any relevant performance audits.

2.7 *Planning Guidance*

- 2.7.1 Audit Scotland's planning guidance for 2007/08 specifically directs us to undertake work on the following:
- Provision of the Independent Auditors' Report placed on the financial statements (and any opinions on consolidation packs / whole of government accounts returns) by 30 September 2008.
 - An Annual Report on the audit addressed to the Partnership Members and the Controller of Audit by 31 October 2008.
 - Submission of fraud returns to Audit Scotland.
 - Other work requested by Audit Scotland (eg follow-up issues arising from 2006/07 audits, work to provide information for the local authority overview report or local performance audit work).



Audit Approach

3.1 *Audit Approach*

- 3.1.1 We plan our audit to meet the objectives discussed at Section 2 under guidance from Audit Scotland and in accordance with the Code and applicable auditing standards.
- 3.1.2 Our approach is risk-based and designed to be robust, efficient, challenging and fair. Key features of our approach are the integration of work for the financial, governance and performance strands of our remit; a focus on key business, operational and financial risks; financial statement audit procedures that maximise assurance from existing internal control processes; and maximum reliance on internal audit work.

3.2 *Risk Assessment*

- 3.2.1 We begin by gaining an understanding of the financial and business risks facing the Partnership. We assess the likelihood of the risk occurring and the impact this could have on delivery of services and the financial position. We then assess the control arrangements that the Partnership has in place to manage these risks, and whether the risk has been reduced to an acceptable level. We also consider the Partnership's decision-making, governance and performance management frameworks. Audit Scotland's planning guidance contributes to the identification of relevant issues to be considered in this stage of our work.

- 3.2.2 Information is gathered from discussions with senior officers and a review of key Partnership documents. We also obtain information from the Partnership's Treasurer, and from a review of key Partnership reports and other relevant documents, see Appendix I for documents reviewed.
- 3.2.3 The main issues identified from this process are noted in Section 4 together with their audit implications.

3.3 *Reliance on Internal Audit Work*

- 3.3.1 The Code directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. We reviewed the framework for the provision of internal audit services during last year's audit using CIPFA's updated Code of Practice for Internal Audit in Local Government in the United Kingdom. We established that we could place reliance on the work of Perth & Kinross internal audit.
- 3.3.2 From our discussions we note that there is no service level agreement in place for the provision of internal audit services with Perth & Kinross Council's internal audit service. It is proposed that internal audit provision will cover the audit of grant claims and we propose to place reliance on their work in this area.
- 3.3.3 Our audit approach and our audit fee are dependent on the availability of audited grant claims by the due dates.



Audit Approach

3.4 Financial Control Evaluation

- 3.4.1 The financial control environment will be considered at an early stage of our work to identify controls that can be relied upon for the production of figures for the financial statements. This will involve identification, testing and assessment of the key controls for the main financial systems.
- 3.4.2 As a new organisation the Partnership has made progress with the set up of proper arrangements and frameworks for governance, finance and performance. Where key controls have been put in place by management we will seek to place reliance on these where they are assessed as working effectively. Where internal audit do not perform tests on key controls we will reassess our audit work and either test the operation of controls or carry out substantive testing as part of the financial statements audit.
- 3.4.3 Some key financial systems and services are to be provided under Service Level Agreements with Perth & Kinross Council and in accordance with Audit Scotland's planning guidance we shall seek assurances from the Council that the key controls for these systems are in place and operating effectively. From our discussions there is an agreement currently in place for the provision of payroll services only. Agreements have still to be put in place for the provision of Board Secretariat services etc, the provision of internal audit services and the provision of financial services. The intention is to progress with these agreements, provisionally for the April committee meeting. As the Partnership is currently facing the requirements of a new Government / Local Government funding framework, agreements entered into may need to reflect this.

3.5 Reliance on Work of Other Inspection Bodies

- 3.5.1 We are required by the Code to contribute to the "whole organisation" approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. We therefore place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance. We are not aware of any inspectorates carrying out work in this area.

3.6 Communication and Reporting

- 3.6.1 We will communicate regularly with officers throughout the audit year to plan, maintain an overview of the Partnership's business, and discuss any new issues that emerge. This communication should be two-way, and we encourage officers to have early discussions with us on any issues that may give rise to audit comment at a later date.
- 3.6.2 Communication with Members during the course of the year will be through our reports and our attendance at the Partnership Board. Our formal reporting to all Members will be through our annual report produced at the conclusion of each audit year.
- 3.6.3 At the conclusion of our audit we will discuss our findings and recommendations for action with management prior to issuing a draft report, which will include our recommendations within an action plan, if appropriate. Recommendations will be graded by importance.



Audit Approach

3.6 *Communication and Reporting (cont'd)*

- 3.6.4 A draft report will be issued to allow the Partnership's officers to confirm the factual accuracy of the report and to provide a response to any recommendations within an action plan. This includes details of the responsible officer and reasonable timeframes to be allocated for each of the agreed actions. Once this is completed, the final report will be issued to lead officers and submitted to the next Partnership Board Meeting. Our proposed reporting timetable is included in Section 5.



Audit Approach

3.7 Discharge of our Audit Responsibilities under the Code

3.7.1 Table 3 shows the key areas where we will focus our work in discharging our responsibilities under each of the Code components. Section 4 notes the local implications of national issues and Partnership specific risks that influence our audit plan.

Table 3 – Discharge of our audit responsibilities under the Code

Code component	Auditors' responsibilities	Work we undertake to discharge our audit responsibility	Audit output
Financial statements	<p>To audit the financial statements in accordance with the timescale set by Audit Scotland and give an opinion on whether they present fairly the financial position of the Partnership and its income and expenditure: and whether they have been properly prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.</p> <p>To provide reasonable assurance, subject to the concept of materiality, that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; comply with statutory and other requirements that apply; and comply with relevant requirements for accounting presentation and disclosure.</p>	<p>We will discharge our responsibilities for the audit of the financial statements in accordance with International Standards on Auditing and Quality Control (UK and Ireland), and Ethical Standards, applicable Practice Notes and guidance issued by the Auditing Practices Board.</p> <p>Evaluation of systems and internal controls and their impact on the financial statements and our year-end audit work will be undertaken early in the audit process. Where appropriate the operation of controls will be tested. Where no controls are in place we will use substantive testing at the year end.</p> <p>For specific areas deemed as high risk we will perform detailed substantive testing of year-end transactions, account balances, estimates and provisions.</p> <p>We will use the CIPFA disclosure checklist to ensure compliance with statutory requirements and the SORP for accounting presentation and disclosure.</p>	<p>ISA 260 Report - Communication of Audit Matters to Those Charged With Governance</p> <p>Audit opinion on financial statements</p> <p>Annual Report</p>



Audit Approach

Code component	Auditors' responsibilities	Work we undertake to discharge our audit responsibility	Audit output
Corporate Governance arrangements			
Systems of internal control	<p>In addition to reviewing systems of financial internal control, primarily to inform our work on the financial statements, we are required in the wider context to consider systems which may not impact directly on the financial statements.</p> <p>To review and report on the internal control compliance statement included with the accounts. (Statement on Systems of Internal Financial Control (SSIFC)).</p>	<p>The work undertaken at the planning stage considers the governance and financial reporting arrangements in place. We plan to carry out further work on some key financial systems during our year end audit and will keep an ongoing overview of developments in other areas.</p> <p>We will review the process the Partnership uses to prepare and approve the compliance statement. We will ensure the statement is prepared in accordance with relevant regulation and ensure it reflects our understanding of the Partnership's position in relation to issues that should be considered for inclusion in the statement. We aim to undertake the majority of this work prior to the completion of draft accounts, with final review prior to signing the audit opinion.</p>	<p>Annual Report</p> <p>Audit opinion on financial statements</p>
Prevention and detection of fraud and irregularities	<p>To review and report on the arrangements in place to develop, promote and monitor compliance with standing orders and financial instructions; develop and implement strategies to prevent and detect fraud and other irregularity; and receive and investigate alleged breaches of proper standards of financial conduct or fraud and irregularity.</p> <p>We are required to submit information about instances of fraud and irregularity to Audit Scotland.</p>	<p>When completing our review in this area we will have regard to Statement of Auditing Standards 110: Fraud and Error; and International Standards on Auditing 240: The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements. This review will cover arrangements for the prevention and detection of fraud; 'whistleblowing' procedures; and Fraud and Corruption strategies and policies. We will examine evidence within these arrangements to ensure that particular aspects of internal financial control such as segregation of duties, authorisation and approval processes, and reconciliation procedures are in place.</p> <p>Arrangements will be put in place for our notification of instances of fraud.</p>	<p>Annual Report</p> <p>Individual and annual fraud returns to Audit Scotland</p>



Audit Approach

Code component	Auditors' responsibilities	Work we undertake to discharge our audit responsibility	Audit output
Corporate Governance arrangements			
Standards of conduct, integrity and openness	To consider arrangements in place to maintain and promote proper standards of financial conduct and to prevent and detect corruption, including regular review and communication of these arrangements to all Members, managers and employees.	We will review arrangements relating to standards of conduct and the prevention and detection of corruption and the operation of the Partnership Board. This will include examination of standing orders and financial instructions; financial regulations and schemes of delegation; and the award of contracts.	Annual Report
Financial position	To consider whether there are adequate arrangements to ensure the Partnership's financial position is soundly based with regard to financial monitoring and reporting arrangements; compliance with statutory financial requirements and achievement of financial targets; balances and reserves, including strategies about levels and future use; and the impact of planned future policies and known or foreseeable future developments.	Work undertaken for the audit of the financial statements will also inform our consideration of this element. We will review capital and revenue budget setting and monitoring papers on an ongoing basis.	Annual Report



Audit Approach

Code component	Auditors' responsibilities	Work we undertake to discharge our audit responsibility	Audit output
Performance management			
Best Value and community planning	<p>Within the context of the Accounts Commission's arrangements for discharging the statutory duty to be satisfied that there are proper arrangements for securing Best Value and complying with community planning responsibilities, we are required to be part of the Audit Scotland team for a full Best Value review or undertake transitional or follow-up work in intervening years.</p> <p>Audit Scotland's planning guidance advises at this stage there are no plans to carry out Best Value reviews at the Regional Transport Partnerships.</p>	<p>We consider Best Value implications in all aspects of our work, Best Value and community planning work will be undertaken under guidance from Audit Scotland. There are no plans to carry out a Best Value review in the Regional Transport Partnerships during 2007/08. We will keep you advised of any further guidance issued by Audit Scotland.</p>	Annual Report
Use of resources	<p>To assist Audit Scotland in local work for national studies if requested.</p> <p>To consider arrangements for performance management.</p>	<p>For 2007/08 the current programme of studies does not anticipate the involvement of local auditors.</p> <p>This will be covered in our review of the Partnership's Strategic documents.</p>	Annual Report



Business and Audit Risk Analysis and Plan

- 4.1 The key business risks identified from our planning process are summarised in Table 4. These include the local implications of the relevant national issues and specific local risks.
- 4.2 We have assessed the work required to fulfil our audit responsibilities in relation to these risks and noted the planned audit output. Our assessment of required work identifies that we cannot place reliance on any internal audit work. Proposed timings for final reports and Partnership Board meeting to which these will be presented are summarised in Table 5 in Section 5.

Table 4 – Key business and audit risk analysis and plan

Key business risks identified	Audit risks and implications	Planned output
<p><i>Evolving Organisation</i></p> <p>In any newly formed organisation there are risks that cover the initial setting up including putting proper arrangements and frameworks in place for governance, finance and performance.</p> <p><i>From our meetings and review of documents the Partnership is making progress towards setting up proper arrangements and frameworks for governance, finance and performance. Currently the Partnership has set up Standing Orders, taken on board the ethical standards for Public Life through the Dispensation Note to Regional Transport Partnerships, developed a Members Code of Conduct, Scheme of Delegation, Financial Regulations, set out a Vision and Objectives for the Partnership and adopted a set of Human Resources policies and procedures. Additionally an Equalities Scheme has been developed and approved covering Race, Gender and Disability, as well as proposals for other equalities areas. It is recognised that these policies will need to evolve with the Partnership and an Equalities Forum is to be set up to monitor and develop these.</i></p>	<p>Key controls are not put in place or operate effectively from the start and this impacts primarily on our finance and governance responsibilities.</p> <p>We will review the continuing progress with the arrangements and frameworks for the Partnership during the audit year to ensure that these are properly defined and set up.</p>	<p>Annual Report</p>

Business and Audit Risk Analysis and Plan

<p>Financial Planning</p> <p>Key risks in this area are that the Partnerships priorities may not have been properly costed and planned for and that revenue and capital plans may not link to these priorities. There is a risk for 2007/08 that the current spend profile may result in a loss of Capital Grant.</p> <p>From 2008/09 there is a risk that changes to the funding mechanisms of Regional Transport Partnerships may impact on the Partnerships capital and revenue budgeting.</p> <p>The Partnership may not produce a Delivery /Business Plan, setting out a 3 year implementation programme for the Regional Transport Strategy, and which must be updated annually to reflect local and central government planning and funding cycles.</p> <p><i>The risks associated with the planning framework are being addressed by the setting and approval of budgets for revenue and capital. Re-profiling of spend is to be undertaken on the basis that there will be no Government approval of carry-over of capital expenditure beyond 31 March 2008, and that funding cannot be directed towards new commitments.</i></p> <p><i>From our discussions the Partnership recognises the need for a delivery plan to be developed within the new funding framework announced at the last spending review in November 2007 which provides for all future capital funding being allocated to Councils.</i></p> <p><i>From our review, following appointment of the Projects Manager and Strategy Manager, work is about to progress on the development of a Delivery /Business Plan for the period 2008/09 to 2010/2011 as requested by Scottish Government.</i></p>	<p>This impacts primarily on our finance and governance responsibilities.</p> <p><i>We will review capital and revenue budget setting and monitoring papers throughout the year. We will also review any virements and the Partnership's accounting for revenue and capital grants and funding as part of our year-end audit. We will consider the clarity of links between revenue budgets and capital plans and the Partnerships priorities and consider if all existing and known future commitments are properly accounted for.</i></p> <p><i>We will review progress with decisions on the 2007/08 grant payments by Government and their implications for the Capital programme.</i></p> <p><i>Progress with a delivery plan to meet the requirements of the new funding framework will be reviewed.</i></p> <p><i>We will review the progress with and the development of a Delivery / Business Plan for the period 2008/09 to 2010/2011 and review any arrangements made for delivery responsibilities.</i></p>	<p>Annual Report</p>
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Business and Audit Risk Analysis and Plan

<p><i>Regional Transport Strategy</i></p> <p>There is a risk that the Partnership may not fulfil their responsibilities in respect of progress with and delivery of the finalised Regional Transport Strategy.</p> <p><i>From our review there is commitment to the progress with and delivery of the Regional Transport Strategy which can be demonstrated by the submission of the finalised Regional Transport Strategies to the Transport Minister on 30 March 2007.</i></p> <p><i>On 7 January 2008 all Regional Transport Partnerships were advised that government ministers were not content to approve Regional Transport Strategies that contain “specified interventions.” All Regional Transport Partnerships have been requested to review and resubmit in due course.</i></p>	<p>Progress with the Regional Transport Strategy impacts on our governance and performance responsibilities.</p> <p><i>We will review progress with and the delivery of the Regional Transport Strategy on an on-going basis. This will include review of the documentation and discussion with key individuals.</i></p>	<p>Annual Report</p>
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Planned Audit Outputs and Fee Proposal

5.1 *Reliance on Partnership Action and Working Papers*

5.1.1 In assessing our audit activity we expect that adequate records and working papers will generally be available as audit evidence and that officers will respond to requests for information within a reasonable timeframe. We will meet with the relevant finance officers to identify specific supporting working papers that we expect to be available with the draft financial statements.

5.2 *Planned Audit Activity and Outputs*

5.2.1 Taken together Tables 3 and 4 (Discharge of our audit responsibilities under the Code and Key business and audit risk analysis and plan) record the planned audit activity that we assess is required to discharge our audit responsibilities.

5.2.2 Table 5 summarises our timetable for the outputs in which we plan to report our audit activity.

5.2.3 We will monitor our progress against our plan and report this to the relevant meeting of the Partnership Board.

5.2.4 To inform our work we will have regular meetings with officers, and review minutes of meetings and reports presented to the Partnership and other committees. As we identify new issues we will bring these to the attention of management and the Partnership Board, where appropriate.

Table 5: Timetable for Planned Audit Outputs

Planned outputs	Date of final report	Partnership Board date
Planning		
Annual Audit Plan and Fee Proposal	31/01/08	29/04/08
Governance		
Fraud Returns	As required	N/A
Finance		
Communication of Audit Matters to Those Charged with Governance – ISA 260 Report	August 2008	23/9/08
Audit opinion on financial statements	29/08/08	23/9/08
Overall Conclusion		
Report to Members and the Controller of Audit– Annual Report	31/10/08	9/12/08



Planned Audit Outputs and Fee Proposal

5.3 Determining the Annual Audit Fee

- 5.3.1 The audit of the Partnership will be completed under the 'fee for the audit' concept. The agreed fee for the Partnership's audit requires to be set within the indicative fee range notified by Audit Scotland.
- 5.3.2 The indicative fee range for the Partnership in 2007/08 is £7,470 to £9,130. This excludes Audit Scotland's overhead recovery charge of £1,700. Together these two elements combine to form the total charge from Audit Scotland for the audit for 2007/08.
- 5.3.3 Placement within the range depends on the level of work we consider requires to be undertaken and is influenced by the number and level of risks facing the Partnership. It also assumes that there will be an internal audit provision. Our audit activity and ultimately the level of fee reflect the position that internal audit provision covers only the audit of grant claims. The fee is also based on Audit Scotland's guidance.
- 5.3.4 Our fee reflects the work that we have assessed is required to meet our audit responsibilities and the skill mix that we have assessed is required to complete the identified programme of work and deliver the outputs noted in Table 5, the total proposed fee for 2007/08 is £10,415.
- 5.3.5 Our fee assumes there will be no material or significant adjustment to the accounts presented for audit. If adjustments are required an additional fee will be issued based on the additional time required over the agreed fee.

- 5.3.6 The annual audit fee does not include any work on providing a statement of compliance on any revenue and capital grants made to the Partnership.

Table 6 - Proposed Fee

Financial year	2007/08
	£
Proposed audit fee	8,715
Audit Scotland fixed charge	1,700
Total proposed fee	10,415

5.4 Arrangements for Additional Audit Work

- 5.4.1 Where we are required to undertake work that was not provided for within the initial audit plan, the agreed fee may be revised, within the indicative range, in conjunction with the Partnership.
- 5.4.2 Indicative fees do not include an allowance for additional work. Fees for additional work, such as grants that are not on the Audit Scotland approved list, will be agreed separately following approval from Audit Scotland.



Planned Audit Outputs and Fee Proposal

5.4 *Arrangements for Additional Audit Work (cont'd)*

5.4.3 Audit Scotland, on behalf of the Accounts Commission, will on occasion request us to investigate correspondence from the public and agree an additional fee for the initial work. This will be financed through the Audit Scotland fixed charge. Where further work is directed by Audit Scotland an additional charge to the Partnership may be required. This will be discussed with management should this occur.



Audit Team

6.1 The audit team have experience of the public sector, and the local authority sector in particular, and have developed an understanding of the issues faced by the Partnership. Table 7 provides contact details and responsibility of each of the key team members.

Table 7: Key Team Members

Team member	Role and responsibilities	Contact details
Cathie Wyllie Engagement Partner	The audit team is headed by Cathie Wyllie as engagement partner. Cathie is responsible for the overall delivery of our services to the Partnership and liaison with the audit committee.	Tel: 01382 594784 cbw@hendersonloggie.co.uk
Margaret Richardson Director	Margaret is responsible for managing the day to day delivery of the audit.	Tel: 01382 594786 mar@hendersonloggie.co.uk
Adrienne Borrows Auditor in charge	Adrienne will be the main point of contact for financial statements audit work.	Tel: 01382 594768 aab@hendersonloggie.co.uk



Appendix I – Documents reviewed

Audit Scotland and other Regulatory Guidance

Planning guidance

Code of Audit Practice

Current Priorities and Risk Framework (PRF)

Technical bulletins

The SORP

Partnership Documents

Current year budgets for revenue and capital

Minutes of the Partnership

Members' Code of Conduct

Dispensation Note to Regional Transport Partnerships

Standing orders

Vision and objectives

Scheme of Delegation

Partnership Documents (cont'd)

Financial Regulations

Regional Transport Strategy documents

Various Human Resources policies

Equalities Scheme 2007-2010

Previous Year's Audit Reports

Report to Members and Controller of Audit for 2006/07

ISA 260 Report for 2006/07

Other Bodies Reports

Transport (Scotland) Act 2005

Grant offer

Various relevant Minutes Perth and Kinross Council

Various newsletters



**Tactran Core Revenue Budget
2008/09**

	2008/09 Budget £	2009/10 Budget £	2010/11 Budget £
Income			
Scottish Executive Grant Revenue Received	£240,000	£250,000	£256,000
Angus Council	£48,090	£50,380	£51,754
Dundee City Council	£59,640	£62,480	£64,184
Perth and Kinross Council	£63,630	£66,660	£68,478
Stirling Council	£38,640	£40,480	£41,584
	£450,000	£470,000	£482,000
Expenditure			
<u>Staff Costs</u>			
Salary GP	£272,000	£284,000	£293,000
Salary Supn	£51,000	£54,000	£56,000
Salary NI	£22,000	£24,000	£25,000
Training/Conferences	£6,000	£6,000	£6,000
Subscriptions	£500	£500	£500
	£351,500	£368,500	£380,500
<u>Property Costs</u>			
Rent	£12,000	£15,000	£15,000
Rates	£7,000	£7,000	£7,000
Energy	£6,500	£6,500	£6,500
Cleaning	£2,500	£2,500	£2,500
Maintenance	£1,000	£1,000	£1,000
	£29,000	£32,000	£32,000
<u>Supplies and Services</u>			
Office Consumables	£5,000	£5,000	£5,000
Communications	£6,500	£6,500	£6,500
Information Technology	£2,500	£2,500	£2,500
Insurance	£6,000	£6,000	£6,000
Board Expenses Miscellaneous	£3,000	£3,000	£3,000
Hospitality	£2,000	£2,000	£2,000
	£25,000	£25,000	£25,000
<u>Transport Costs</u>			
Travel and Subsistence	£2,000	£2,000	£2,000
Public Transport	£1,000	£1,000	£1,000
Parking	£2,000	£2,000	£2,000
Expenses - Board Members	£1,000	£1,000	£1,000
	£6,000	£6,000	£6,000
<u>Third Party Payments</u>			
Audit Fees External	£11,000	£11,000	£11,000
PKC Finance Service	£12,000	£12,000	£12,000
PKC Secretariat Service	£12,000	£12,000	£12,000
PKC Other Third Party Payments	£3,500	£3,500	£3,500
	£38,500	£38,500	£38,500
Gross Expenditure	£450,000	£470,000	£482,000
Net Expenditure	£0	£0	£0