



Tayside & Central Scotland Transport Partnership

2015/16 Annual audit
report to Members and
the Controller of Audit

Date September 2016

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Pearl Tate is the engagement lead for the audit of Tayside & Central Scotland Transport Partnership for the period to 2015/16.

This report has been prepared for the use of Tayside & Central Scotland Transport Partnership and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the partnership. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none">• Unqualified auditor's report on the 2015/16 financial statements.• The financial statements of the partnership have been prepared on the going concern basis. We are satisfied that the partnership has considered the organisation's ability to continue as a going concern and the conclusion reached is reasonable.• Due to limitations on the availability of meaningful and relevant performance information the management commentary does not provide key performance indicators demonstrating a balanced overview of the organisation.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none">• The partnership achieved a breakeven position.• The financial management arrangements are broadly satisfactory.• The financial position is sustainable currently, although the partnership recognises the need to secure additional resources going forward to deliver the RTS.
 <p>Governance and transparency</p>	<ul style="list-style-type: none">• The governance arrangements in place are appropriate to the organisation.• The process for providing assurance to those charged with governance that controls were operating effectively was not completed timeously.• There were no issues of concern in relation to the operation of the partnership's financial control systems.• The partnership has appropriate anti-fraud arrangements.

Best Value

- A refreshed Regional Transport Strategy 2015 - 2036 has been agreed by the partnership and approved by Scottish Ministers.
- The RTS Delivery Plan 2016 – 2021 has been agreed to support progress on fulfilment of the RTS vision and objectives.
- Public performance reporting is undertaken through the partnership’s annual report. The 2014/15 annual report was considered by the partnership in March 2016. This report does not give a clear overview of how the partnership is performing against targets.

Outlook

- The partnership continues to face significant funding pressures. Effective arrangements for best value will be essential for efficient use of available resources, and strong governance and leadership will be needed to achieve continuous improvement.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Tayside & Central Scotland Transport Partnership (the partnership). The report is divided into sections which reflect our public sector audit model.
2. The management of the partnership is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the partnership, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. Both local and national reports have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.
6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the partnership understands its risks and has arrangements in place to manage these risks. The partnership should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged. This is the final year of the current five year audit appointment. From 2016/17 the auditor of the partnership will be KPMG. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

9. A new Code of Audit Practice was published in May 2016 will apply to all audits from financial year 2016/17. This will focus the audit on four key areas:
 - financial sustainability
 - financial management
 - governance and transparency; and
 - value for money
10. In addition from 2016/17, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

Audit of the 2015/16 financial statements

Submission of financial statements for audit

11. We received the unaudited financial statements on 31 May 2016 in accordance with the agreed timetable. The working papers were of a good standard and staff provided helpful support to the audit team which assisted the delivery of the audit within the deadline.

Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the partnership in March 2016.
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a

number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

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

18. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of the partnership we set our planning materiality for 2015/16 at £7,570 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £5,700, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
19. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculation remained appropriate.

Evaluation of misstatements

20. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to increase short term debtors and short term creditors in the balance sheet by £0.006 million. These adjustments have no impact on the comprehensive income and expenditure statement.

Significant findings from the audit

21. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:

- the auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
 - significant difficulties encountered during the audit
 - significant matters arising from the audit that were discussed, or subject to correspondence with management
 - written representations requested by the auditor
 - other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
22. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Going Concern

23. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. One of the indicators that may give rise to going concern considerations is an excess of liabilities over assets. The partnership's balance sheet at 31 March 2016 has an excess of liabilities over assets of £0.424 million, largely due to the accrual of pension liabilities in accordance with International Accounting Standards 19 (IAS 19).
24. The partnership is a member of Tayside Pension Fund which is a multi-employer defined benefit scheme. In accordance with pensions accounting standard IAS19 'Retirement Benefits' the partnership has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2016

provided by the scheme's actuary decreased the partnership's share of the deficit from £0.458 million last year to £0.416 million.

25. The Management Commentary on page 7 of the Annual Accounts confirms that the partnership has adopted a 'going concern' basis for the preparation of the financial statements as future actuarial valuations of the pension fund will consider the appropriate employer's rate to meet the fund's commitments. The actuary is required to make a 3-year assessment of the contributions that should be paid by the employing authorities to maintain the solvency of the fund. The most recent actuarial valuation took place as at 31 March 2014.
26. The constituent authorities have a legal obligation under the Transport (Scotland) Act 2005 to provide the partnership with funding to meet all liabilities as they fall due. We are satisfied, therefore, that the process which the partnership has undertaken to consider the organisation's ability to continue as a going concern and the conclusion reached is reasonable.

Pension assumptions

27. The net pension liability for the partnership is volatile based on the assumption used by the actuary. This is demonstrated in Exhibit 1.
28. The Treasurer has confirmed the partnership's agreement that the assumptions used by the actuary were reasonable and has explained in Note 2 the impact of small changes in these assumptions. We have examined the assumption used in 2015/16 and these are all within expected parameters. We are satisfied,

therefore, that the pension liability as at 31 March 2016 is reasonable.

Exhibit 1: Movement in Net Pension liability 2011 to 2016

	2011/12	2012/13	2013/14	2014/15	2015/16
	£million	£million	£million	£million	£million
Assets	1.228	1.503	1.682	1.846	1.892
Liabilities	(1.831)	(1.962)	(2.508)	(2.304)	(2.308)
Net	(0.603)	(0.459)	(0.826)	(0.458)	(0.416)

Source: The partnership's audited financial statements

Management commentary

29. Per Finance Circular 5/2015 *The Local Authority Accounts (Scotland) Regulations 2014 – management commentary*, the management commentary within the accounts should provide key financial and non financial performance indicators demonstrating a balanced overview of the organisation.
30. The partnership's management commentary reflects:
- the strategic context and current performance management arrangement indicating a review of the framework will be undertaken in 2016/17
 - the financial performance and spend undertaken against particular priority areas

- future developments including finalising the RTS delivery plan and the move towards locality improvement outcome plans as part of the community planning partnerships
 - difficulties experienced in obtaining consistent and relevant national indicators which inform the progress of the regional transport strategy
31. As highlighted in the previous year the setting of appropriate targets and milestones still require to be agreed with partner councils, Transport Scotland and other relevant delivery partners and agencies (*refer paragraph 69*).

Financial management and sustainability

Financial management

32. In this section we comment on the partnership's financial outcomes and assess the partnership's financial management arrangements.
33. The partnership sets an annual budget to meet its service commitments for the forthcoming financial year. Regular monitoring of income and expenditure against agreed budgets is central to effective financial management.

Financial outcomes

34. In 2015/16, the partnership spent £0.765 million on the provision of public services and delivered an accounting surplus of £0.042 million.
35. The partnership is required to achieve a breakeven position year on year in accordance with the requirements of the Transport (Scotland) Act 2006 for Regional Transport Partnerships. After making adjustments between accounting basis and funding basis under regulation, which were largely for pension costs, the breakeven requirement was met.
36. As highlighted at paragraph 24 the partnership's balance sheet at 31 March 2016 is in a net liabilities position due largely to the

requirements of IAS 19 (retirement benefits) which requires the full pension obligations to be recognised in the year they are earned. This technical accounting requirement has had no impact on the underlying basis for meeting current and on-going pension liabilities which will be met, as they fall due, by contributions from constituent authorities. In addition to the pension liability there was a £0.008 million liability for annual leave outstanding at the end of the financial year.

Financial management arrangements

37. As auditors, we need to consider whether the partnership have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the proper officer has sufficient status within the body to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
38. The Treasurer as the section 95 officer is responsible for ensuring proper accounting records are kept. The Partnership Board in June

2014 agreed updates to the standing orders and financial regulations.

39. The partnership's financial transactions are maintained on a spreadsheet with payroll being processed through the Perth & Kinross Council payroll system. Monthly meetings on the financial position in respect of both revenue and capital spend are undertaken by officers and the financial position is considered on a quarterly basis at Partnership Board meetings.
40. Overall the partnership's financial management arrangements are broadly satisfactory.

Financial sustainability

41. Financial sustainability means that the partnership has the capacity to meet the current and future needs of its communities.
42. In assessing financial sustainability we are concerned with whether:
- spending is being balanced with income in the short term
 - long term financial pressures are understood and planned for
 - investment in services and assets is effective.
43. The partnership continues to face significant financial pressures from reduced revenue funding and reductions in capital spend by partner councils as councils themselves seek to make financial savings. The partnership identified cumulative efficiency savings of approximately 12% over the past 6 years, and considers that there are limited opportunities for effecting further savings in 2016/17.

44. Scottish Government Grant in Aid funding has continued for the period 2016/17 at £0.523 million which is the same level as awarded for 2015/16. The constituent council funding remains in line with the previous year at £0.103 million. In 2014/15 a partnership arrangement was entered into which attracted a grant allocation of £0.1 million per annum from Sustran's *Community Links* programme during financial years 2014/15 and 2015/16. This *Community Links* programme and related funding has been extended into 2016/17.
45. Overall we conclude that there is therefore a degree of financial stability in the short term but the partnership continues to identify in its risk register the need to actively pursue other sources of finance to enable progress on development and delivery of the Regional Transport Strategy.

Governance and transparency

46. Members and management of the partnership are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the partnership has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Corporate governance

47. The corporate governance framework within the partnership is centred on the Partnership Board. The Board agreed updates to the standing orders, scheme of delegation, members' code of conduct, financial regulations and risk management strategy and policy in June 2014.
48. The partnership at its meetings in March and June 2016 approved interim management restructuring arrangements. Roles and responsibilities are being realigned over the next year to reflect changes required which are designed to ensure that the partnership is positioned to continue to deliver its current statutory role and responsibilities moving forward in light of ongoing reviews nationally (refer paragraphs 61 to 64). The partnership will need to ensure

that its decision making arrangements are kept under review to reflect potential changes to the role of the regional transport partnerships.

49. The partnerships risk register is considered annually by the Board with the latest review in March 2016 and covers risks in relation to the:
- regional transport strategy development and delivery
 - management and operation of the partnership
 - financial pressures
50. Overall the governance arrangements in place are appropriate to the organisation.

Internal control

51. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit (currently no internal audit activity for the partnership).
52. It is the responsibility of the partnership's management to maintain adequate financial systems and associated internal controls. The partnership's financial transactions are generally maintained on a spreadsheet with payroll being processed through the Perth & Kinross Council payroll system. Monthly meetings on the financial

position in respect of both revenue and capital spend are undertaken by officers and the financial position is considered on a quarterly basis at Board meetings.

- 53. The partnership may wish to regularly review whether an internal audit function could improve the assurance that internal controls are operating effectively.
- 54. We tested controls in operation for a sample of transactions and balances in the partnership's financial statements. Overall, on the basis of the audit testing undertaken, there were no issues of concern in relation to the operation of the partnership's financial control systems.

Annual Governance Statement

- 55. The partnership is required to include an annual governance statement (AGS) in its annual accounts. The AGS was completed and approved by members as part of the unaudited accounts. This was highlighted in our 2014/15 Annual Audit Report and although a process was put in place this year it was not followed. There was therefore no evidence how the Chair or the Partnership Director obtained assurance that the internal controls were operating effectively.

Action plan no. 1

Arrangements for maintaining standards of conduct and the prevention and detection of corruption/fraud

- 56. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. In our opinion the overall arrangements in place are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

Transparency

- 57. Local residents should be able to hold the partnership to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the partnership is taking decisions and how it is using its resources.
- 58. The partnership's website contains relevant information for the public including agendas and minutes of the Partnership Board meetings as well as financial and performance reports. We have not encountered any evidence to suggest that information is routinely and unjustifiably withheld from public scrutiny.

Best Value

59. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The partnership should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.
60. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing best value and complying with responsibilities relating to community planning. The partnership's focus for demonstrating best value is delivery of its Regional Transport Strategy and contributing to community planning.

Role of Regional Transport Partnerships

61. In June 2014 the RTP Chairs Forum approved the a report setting out a framework and recommendations for:
- building more effective partnerships through stronger and more consistent strategic and policy liaison arrangements between the RTPs, CoSLA and the Scottish Government
 - improving integration of strategic land-use and transport planning
 - improving access to health and social care

- delivering a “step change” for bus, integrated transport, ticketing and travel information
 - promoting and improving Active Travel
 - contributing to the development of rail, air, ferries/maritime and freight policy and delivery.
62. We noted in our 2014/15 annual audit report that in June 2015, a number of revisions and updates were made to the report and Ministerial approval was given in September 2015. This report was used to inform the National Transport Strategy refresh which was published in February 2016. The partnership considered this refresh in March 2016 and noted the Scottish Government's intention to undertake a full review of the National Transport Strategy after the May 2016 Scottish Parliament election.
63. In September 2015, Scottish Ministers appointed a review of the Scottish planning system by an independent panel. The panel were tasked with providing a ‘root and branch’ review, and encouraged to explore game-changing ideas for radical reform of the system. The review focussed on six key themes: development planning, housing delivery, infrastructure, development management, community engagement and leadership, resources and skills.
64. The panel's report *Empowering planning to develop great places* was published in May 2016 and outlines forty eight specific recommendations, a number of which have direct relevance to strategic transport planning and delivery and the role of RTPs. The implications of the report were discussed at the RTP Joint Chairs Forum in June 2016 when it was agreed to prepare a joint response

to the panel's report and recommendations. It was also agreed to seek a meeting with the Ministers for Transport & Islands and Local Government & Housing to discuss the future role of RTPs within the context of the planned full review of the National Transport Strategy and the Government's response to the planning review. The partnership will consider developments in this area at future meetings.

Regional Transport Strategy

65. Under the Transport (Scotland) Act 2005, the partnership's key role and purpose is to develop and oversee the delivery of a Regional Transport Strategy (RTS) for the Tayside and Central region and to support the National Transport Strategy.
66. An updated RTS 2015-2036 was agreed by the partnership and approved by the Minister for Transport and Islands in July 2015. The 2016-2021 RTS Delivery Plan, based on the updated RTS, was approved in June 2016 and the partnership is currently reviewing the performance monitoring framework that will also take into account the refreshed National Transport Strategy.
67. The partnership's vision is:
- a transport system, shaped by engagement with its citizens, which helps deliver prosperity and connects communities across the region and beyond, which is socially inclusive and environmentally sustainable and which promotes the health and well-being of all.*
68. The partnership's objectives set out in six broad themes in the updated RTS are to:

- ensure transport helps to deliver regional prosperity
 - improve accessibility for all, particularly for those suffering from social exclusion
 - ensure that the transport system contributes to safeguarding the environment and promotes opportunities for improvement
 - promote the health and well-being of communities
 - improve the real and perceived safety and security of the transport network and
 - improve integration, both within transport and between transport and other policy areas.
69. There are nine detailed strategies/frameworks in the 2015-2036 RTS which are designed to support achievement of these objectives. The RTS Delivery Plan 2016-2021 (June 2016) identifies 139 priority projects/interventions to be taken forward by the partnership with councils and other key stakeholders. The partnership is currently developing a performance monitoring framework with partners to monitor progress.

Action plan no. 2

Performance management

70. A strong and effective performance management framework will be critical to the success of the partnership achieving its key priorities and achieving best value.

71. The Transport (Scotland) Act 2005 requires that Regional Transport Partnerships publish and submit to Scottish Ministers an annual report on the performance of their functions.
72. The 2014/15 annual report was considered by the partnership in March 2016. The 2014/15 annual report documents:
- board and governance arrangements
 - resources
 - developing and delivering the RTS
 - RTS monitoring
 - contributing and influencing locally, regionally and nationally
73. The annual report details some trends from the performance monitoring framework. The annual report and supporting monitoring framework do not however include targets or key milestones, which makes it difficult to assess how the partnership is performing. At the time of our audit, the 2015/16 performance information was not yet available.
74. The current RTS monitoring framework defines 22 Performance Indicators (PIs), although data for some of these are no longer collected. The PIs aim to monitor and measure progress towards achieving the partnership's objectives, including:
- reducing traffic congestion;
 - increasing the proportion of journeys made by public or active transport;
 - increasing the proportion of cycling and walking journeys to school; and
 - reducing numbers killed and seriously injured in road accidents.
75. A number of data sources are published bi-annually and a number of indicators are intended to measure trends over the longer term, with improvements likely to take place gradually over the period of the RTS and beyond, and are not expected to change significantly year on year.
76. In previous years we have highlighted difficulties have been experienced in obtaining consistent and relevant national indicators which inform the progress against the RTS. The setting of appropriate targets and milestones is required to be agreed with stakeholders to ensure the partnership can demonstrate value for money.

Action plan no. 2

National performance audit reports

77. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which may be of interest to the partnership. These are outlined in **appendix III**. An approach agreed in the previous year highlighted that the Director's report would draw members attention to Audit Scotland national reports that have been issued. The Partnership Director currently reviews national reports and reports back to the partnership board any reports that are relevant to the partnership.

The reports in the appendix were included in the Director's report considered by members in September 2016.

Equalities

78. The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
79. The partnership published its original mainstreaming and equality outcomes reports in April 2013 with an updated equality outcomes report published in April 2015 identifying the progress against actions, timescales and responsibilities.

Outlook

80. A key focus moving forward will be ensuring continuing alignment with local and national policies and priorities, in particular evolving community planning priorities arising from the Community Empowerment (Scotland) Act 2015, and in relation to opportunities for collaborative working. This will include that the RTS and delivery plan being monitored and reviewed to ensure continuing support and alignment with Locality Outcome Improvement Plans which are to be developed as part of the Community Empowerment (Scotland) Act 2015.

Appendix I

Significant audit risks

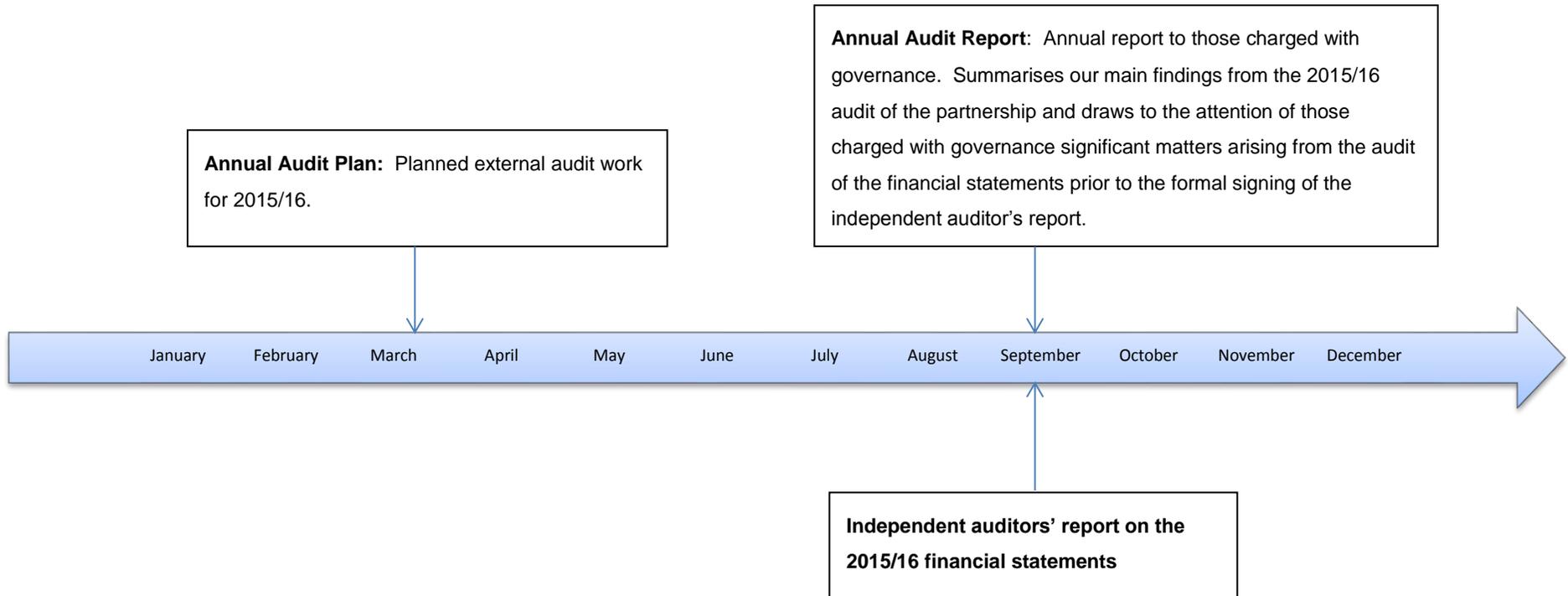
The table below sets out the audit risks we identified in our 2015/16 Annual Audit Plan and how we addressed each risk in arriving at our opinion.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Management override of controls</p> <p>As stated in ISA 240, management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>Risk: The accounts are materially misstated.</i></p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business 	<p>Refer <i>Audit of the 2015/16 financial statements</i> section.</p> <p>From our audit testing no issues were identified and nor were there any significant transactions outwith the normal course of business.</p> <p>Assurances obtained.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>Control environment</p> <p>The partnership is reviewing the process by which members receive assurance that the internal control environment is operating effectively during the year. This assurance will be used to inform the Annual Governance Statement within the financial statements.</p> <p><i>Risk: The governance framework is not operating effectively to provide adequate assurance to members.</i></p>	<ul style="list-style-type: none"> • Ensure the AGS is prepared in accordance with proper accounting practice and relevant guidance. 	<p>Refer <i>Governance and transparency</i> section.</p> <p>This remains an ongoing issue for the partnership.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial pressures</p> <p>The partnership continues to faces a number of significant financial pressures including:</p> <ul style="list-style-type: none"> • reduced funding from partner councils • reductions in capital spend by partner councils <p><i>Risk: Due to reductions in funding for the partnership and constituent councils the partnership may not be able to deliver the Regional Transport Strategy.</i></p>	<ul style="list-style-type: none"> • On-going review of minutes and budget papers to ensure funding settlements can meet the needs of the partnership. 	<p>Refer <i>Financial management and sustainability</i> section.</p> <p>This remains an ongoing issue for the partnership.</p>
<p>Performance management</p> <p>Effectively managing performance is a key challenge as financial pressures increase. In previous years we identified deficiencies in the performance information available to demonstrate that the partnership is delivering the Regional Transport Strategy (RTS). The partnership need to use performance information to understand and manage the impact of spending decisions and demonstrate it is delivering value for money.</p> <p><i>Risk: The partnership's resources are not directed at priority areas and outcomes are not demonstrated.</i></p>	<ul style="list-style-type: none"> • On-going review of partnership's performance management arrangements. 	<p>Refer <i>performance management</i> section.</p> <p>This remains an ongoing issue for the partnership.</p>

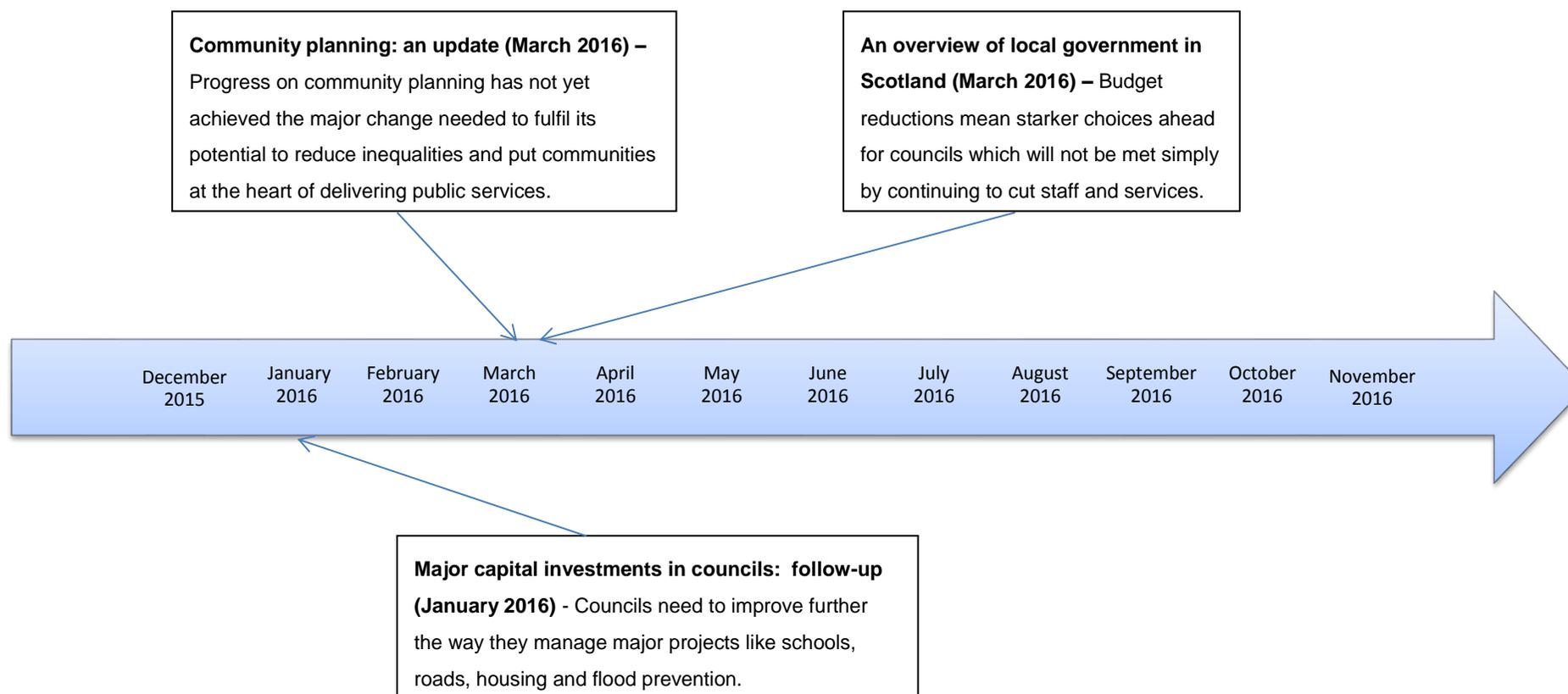
Appendix II

Summary of the partnership's local audit reports 2015/16



Appendix III

Summary of Audit Scotland national reports 2015/16



Appendix IV

Action plan

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 55	<p>Issue</p> <p>The partnership is required to include an annual governance statement (AGS) in its annual accounts. The AGS was completed and approved by members as part of the unaudited accounts. This was highlighted in our 2014/15 Annual Audit Report and although a process was put in place this year it was not followed. There was therefore no evidence how the Chair or the Partnership Director obtained assurance that the internal controls were operating effectively.</p> <p>Risk</p> <p><i>The governance framework is not operating effectively to provide adequate assurance to those charged with governance.</i></p> <p>Recommendation</p> <p>A process for obtaining assurance that the partnership's governance framework is operating effectively should be completed timeously.</p>	<p>The proper officers are confident that an appropriate level of internal control and governance exists within the partnership. However this has not been formalised and reported to the Chair and Partnership Director. This will be addressed in advance of the submission of the 2016/17 draft accounts to the partnership in June 2017.</p>	Proper Officers	June 2017

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
2 69, 76	<p>Issue</p> <p>Performance information in relation to 2015/16 is not yet available. The 2014/15 annual report was considered by the partnership in March 2016. We previously highlighted that the partnership's annual report does not provide a clear summary of how it is performing. Specifically information for several indicators is either collected biennially or no longer collected and the analysis does not include targets or key milestones.</p> <p>Last year management agreed that this would be addressed as part of the update to the RTS Delivery Plan.</p> <p>Risk</p> <p><i>The partnership can not demonstrate it is on target to deliver the RTS.</i></p> <p>Recommendation</p> <p>Performance information should be available timeously and provide sufficient information to allow an assessment of how the partnership is performing.</p>	<p>Limitations on the availability of meaningful performance information coupled with the fact that many indicators require to be reviewed over the long term, constrains current monitoring capability. As responsibility for delivering much of the RTS and Delivery Plan rests with a wide range of partners and stakeholders, work will continue with partner councils and other delivery stakeholders to seek to improve the partnership's performance monitoring framework.</p>	Partnership Director	June 2017