

TAYSIDE AND CENTRAL SCOTLAND TRANSPORT PARTNERSHIP

17 SEPTEMBER 2019

**2018/19 DRAFT AUDITED ANNUAL ACCOUNTS AND
DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF
TACTRAN AND THE CONTROLLER OF AUDIT
FOR THE YEAR ENDED 31 MARCH 2019**

JOINT REPORT BY THE TREASURER AND DIRECTOR

This report presents the Partnership's 2018/19 Audited Annual Accounts (unsigned) in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

1 RECOMMENDATIONS

1.1 That the Partnership:

- (i) Notes the contents of KPMG's Draft Annual Audit Report for the year ended 31 March 2019, as attached at Appendix 1;
- (ii) Approves the 2018/19 Audited Annual Accounts at Appendix 2 and authorises the Partnership Chair, Director and Treasurer to sign them; and
- (iii) Approves the proposal to hold "in camera" sessions with KPMG in March and September of each financial year.

2 BACKGROUND

- 2.1 Regional Transport Partnerships were required to submit their 2018/19 Unaudited Annual Accounts to the Controller of Audit by 30 June 2019, with Audited Annual Accounts to be submitted by 30 September 2019.
- 2.2 The Annual Accounts are prepared in accordance with the 2018 CIPFA Code of Practice on Local Authority Accounting (the Code). The Accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014.
- 2.3 The 2018/19 Unaudited Annual Accounts were approved for submission to the external auditor at the Partnership's meeting on 18 June 2019 (Report RTP/19/17 refers) and were formally submitted in advance of the statutory deadline of 30 June 2019.
- 2.4 The Unaudited Annual Accounts were available for public inspection between 1 July and 19 July 2019 (inclusive). During this period KPMG received no objections to the draft Accounts.

3 DISCUSSION

- 3.1 The audit of the 2018/19 Annual Accounts took place between July and early September 2019. The audit considered not only the financial statements but also areas such as financial performance and corporate governance.
- 3.2 The Draft Annual Audit Report for the year ended 31 March 2019 is set out at Appendix 1. The Draft Audit Report sets out KPMG's opinions and conclusions on the overall audit and their findings to be reported under ISA260: Report to those Charged with Governance.
- 3.3 The KPMG conclusions from the 2018/19 audit are set out on page 13 of Appendix 1 and include an unqualified opinion on the truth and fairness of the state of the Partnership's affairs as at 31 March 2019.
- 3.4 The key messages from the 2018/19 audit are set out under four themes on page 16 of Appendix 1 and are summarised as follows:
- Financial Sustainability –
- The risks arising from the ongoing review of the National Transport Strategy and City Deals have been sufficiently discussed and considered by the Partnership.
- Financial Management –
- Tactran has appropriate processes in place to manage its finances and resources which aid effective financial planning and budget setting.
 - Tactran has appropriate financial oversight and capacity.
- Governance and Transparency –
- Tactran has appropriate governance arrangements in place for a partnership of its size and they provide a framework for effective organisational decision making.
- Value for Money –
- Tactran has appropriate arrangements for using resources effectively and monitoring progress against the Regional Transport Strategy (RTS)
- 3.5 Following approval of the 2018/19 Unaudited Accounts by the Board in June 2019, there were a number of presentational adjustments required during the audit process. These adjustments have no impact on the level of resources available to the Partnership. In addition there was an adjustment to the Pension Fund valuation that is set out below.

- 3.6 Every financial year, public sector bodies arrange for a report to be received from their actuary which gives a valuation of the pension scheme in accordance with International Accounting Standard 19 (IAS19). The information in the report is used to populate sections of the financial statements and the relevant adjustments were included in the Unaudited Annual Accounts considered by the Partnership at the meeting of 18 June 2019.
- 3.7 On 20 December 2018 the Court of Appeal ruled, in what has become known as the McCloud judgment, that transitional arrangements offered to some public sector pension scheme members amounted to unlawful discrimination. New pension schemes set up in 2015 typically resulted in older workers staying in the existing more generous scheme, while younger workers had to transfer to the new scheme. In June 2019 the Supreme Court upheld the ruling which has resulted in a post balance sheet event.
- 3.8 As a result of the ruling, auditors have requested that clients receive an updated actuarial report which reflects the impact of the McCloud judgement. Tactran received an updated actuarial report on 31 July 2019 which indicated that the change to member benefits would increase the net pension liability at 31 March 2019 by £10,973 to £226,873. The Accounts have been amended accordingly, the change to member benefits being treated as a past service cost within the Comprehensive Income and Expenditure Statement. The main areas impacted by the adjustment are the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Pensions Note. In addition to this, the figures in the narrative sections of the accounts have been updated to agree with the actuarial report.
- 3.9 At this time the 2018/19 Audited Annual Accounts remain unsigned. Approval of the Accounts at today's meeting will provide authorisation for the Chair, Director and Treasurer to sign them. Once signed, the Accounts will be passed to KPMG so that they may issue their opinion in the form of an audit certificate. The final signed 2018/19 Accounts and Annual Audit Report for the year ended 31 March 2019 will be published on the Tactran website. The Treasurer will also be authorised to sign the Letter of Representation as detailed in Appendix 3.

4 EXTERNAL AUDIT ENGAGEMENT

- 4.1 It is considered good practice for separate "in camera" (or private) meetings to be held between Board members and external auditors. These meetings take place with no officers present and provides an opportunity for Board members and external auditors to communicate privately and candidly with each other.

- 4.2 Going forward it is proposed to hold these sessions prior to the commencement of the March Tactran meeting (when the Audit Strategy will be considered) and the September meeting (when the draft Audited Accounts will be considered).

5 CONSULTATIONS

- 5.1 There has been no consultation in the preparation of this report.

6 RESOURCE AND EQUALITY IMPLICATIONS

- 6.1 There are no direct resource or equalities implications arising from this report.

Scott Walker
Treasurer

Tom Flanagan
Director

Report prepared by Scott Walker. For further information contact email swwalker@pkc.gov.uk or telephone 01738 475515

NOTE

Background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing this Report:

Report to Partnership RTP/19/17, Draft Unaudited Annual Accounts for 2018/19, 18 June 2019