

Tayside and Central Scotland Transport Partnership

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for Tayside and Central Scotland Transport Partnership
March 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of Tayside and Central Scotland Transport Partnership (Tactran). The main elements of our work include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the audited part of the Remuneration Report
- consideration of arrangements in relation to wider scope areas including Best Value. As a less complex body, wider scope requirements are restricted to conclusions on financial sustainability and the adequacy of the disclosures in the Annual Governance Statement.

Respective responsibilities of the auditor and Tactran

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and Tactran. Key responsibilities are summarised below.

Auditor responsibilities

3. Our responsibilities as appointed auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at Tactran. In doing this, we aim to support improvement and accountability.

Tactran's responsibilities

5. Tactran is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view.

6. Tactran has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

7. The audit of the annual accounts does not relieve management or the Partnership Board, as those charged with governance, of their responsibilities.

Communication of fraud or suspected fraud

8. In line with ISA 240, in presenting this audit plan to the Partnership Board we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. Should members of the Partnership Board have any such knowledge or concerns relating to the risk of fraud within Tactran, we invite them to communicate this to the appointed auditor for consideration.

Adding value

9. We aim to add value to Tactran through our external audit work by being constructive and forward looking, by attending meetings of the Partnership Board and by recommending and encouraging good practice. In so doing, we will help Tactran promote improved standards of governance, better management and decision making and more effective use of resources.

Annual accounts

Introduction

10. The annual accounts are an essential part of demonstrating Tactran's stewardship of resources and its performance in the use of those resources.

11. As external auditors, we are required to perform an audit of the financial statements, consider other information within the annual accounts and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector and guidance from Audit Scotland.

12. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

14. We assess materiality at different levels as described in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for Tactran

Materiality	Amount
Planning materiality – this is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of Tactran's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£34,000
Performance materiality – this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our	£25,500

professional judgement, we have assessed performance materiality at 75% of planning materiality.

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£1,700
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Source: Audit Scotland

Risks of material misstatement to the 2023/24 financial statements

15. Our risk assessment draws on our cumulative knowledge of Tactran, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, attendance at Partnership Board meetings and review of supporting information.

16. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

17. Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. We also identified a non-significant risk of material misstatement that requires a specific audit response over and above our standard audit procedures. [Exhibit 2](#) summarises the nature of the risks, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

Risks of material misstatement to the 2023/24 financial statements

Nature of Risk	Management's sources of assurance	Planned audit response
Significant risk of material misstatement		
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Nature of Risk	Management's sources of assurance	Planned audit response
<p>because of management's ability to override controls that otherwise appear to be operating effectively.</p>		<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the year. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantively test income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Test accounting accruals and prepayments focusing on significant risk areas.

Other non-significant risks of material misstatement

2. Estimation in the valuation of pension assets and liabilities

Actuarial estimates are a complex combination of liabilities over significant future periods based on life expectancy, CPI growth and discounting (based on corporate bond rates).

Assets are based on an individual employer body's share of assets at the last triennial valuation. Roll forward adjustments are provided to members data and to asset valuations.

There is a risk that small changes in the assumptions used can

- Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19.
- Actuarial valuations are reviewed by qualified finance staff for reasonableness including confirmation of the accuracy of the source data used to produce them.

- Assess the scope, independence and competence of the professionals engaged in providing estimates for pensions.
- Review the appropriateness of actuarial assumptions and results including comparison with other employers and the pension fund as a whole.
- Establish officers' arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary by Tactran.

Nature of Risk	Management's sources of assurance	Planned audit response
lead to large changes in the resulting valuations resulting in material misstatement in the annual accounts.		

Source: Audit Scotland

18. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

20. We have rebutted the presumption that a risk of material misstatement exists, with the exception of management override of controls, as detailed at point 1 in [Exhibit 2](#) above. Our assessment is on the basis that:

- there are generally no incentives for staff to commit fraudulent financial reporting
- the majority of Tactran's income comes from government grants and contributions from other public sector bodies which can be readily agreed to third party correspondence and confirmations
- Tactran's core costs (payroll, rent and management costs) are routine in nature and individual transactions are relatively small in scale and well controlled
- more than half of Regional Transport Strategy (RTS) expenditure is on projects delivered by the partner councils on Tactran's behalf, some of which are subject to external reviews by funding providers. The majority of the remaining RTS expenditure relates to recurring costs associated with developing, monitoring and delivering the RTS strategy
- experience in the sector, including a review of past misstatements, does not indicate a significant risk.

21. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

22. Progress on previous years' recommendations will also be followed-up with management during the course of the 2023/24 audit.

Wider Scope and Best Value

Introduction

23. The Code of Audit Practice 2021 sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies. Auditors are required to consider the adequacy of the audited body's arrangements for these areas unless the auditor judges it is not appropriate due to the body's size, nature and audit risks (less complex body).

24. Based on Tactran's gross expenditure and assets, the lack of wider scope risks and low level of public scrutiny we have concluded that it is appropriate to apply the less complex body approach to the 2023/24 audit. Consequently, our wider scope audit work will focus on the appropriateness of the disclosures in the Annual Governance Statement and Tactran's arrangements for ensuring financial sustainability.

Wider scope risks

25. Our planned work on our wider scope responsibilities is risk based and proportionate. We have not identified any local wider scope audit risks for the 2023/24 audit of Tactran. Progress on the outstanding recommendations identified in prior years will be followed-up with management during the course of the 2023/24 audit.

Best Value

26. Auditors have a duty to be satisfied that bodies that fall within section 106 of the 1973 Act have made proper arrangements to secure Best Value. We will consider how Tactran demonstrates that it is meeting its Best Value responsibilities and report our findings in our Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

28. We will provide an independent auditor's report to the Partnership Board and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Partnership Board and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

29. [Exhibit 3](#) outlines the target dates for our audit outputs set by the Accounts Commission.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Partnership Board date
Annual Audit Plan	31 March 2024	12 March 2024
Independent Auditor's Report	30 September 2024	10 December 2024
Annual Audit Report	30 September 2024	10 December 2024

Source: Audit Scotland

30. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to 'aim to approve the audited accounts for signature no later than 30 September immediately following the financial year to which the accounts relate' and that the signed accounts 'must be published no later than 31 October'. Due to the legacy of the late completion of prior year audits due to Covid-19 and ongoing resourcing challenges within Audit Scotland, we are unable to complete the Tacran audit by 30 September or in time to publish the audited accounts by 31 October. We acknowledge that this planned timetable is determined by the availability of audit resources and not by Tacran which plans to present unaudited accounts for audit by 30 June 2024. We will work towards delivering

the audit and audit outputs by the target date over the period of the audit appointment.



31. All Annual Audit Plans, Annual Audit Reports, and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

32. To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

33. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	11 June 2024
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	30 June 2024
Latest date for final clearance meeting with the Treasurer	19 November 2024
Agreement of audited unsigned annual accounts	26 November 2024
Issue of Annual Audit Report including ISA260 report to those charged with governance (Partnership Board)	
Partnership Board meeting to consider the Annual Audit Report and approve the audited annual accounts for signature	10 December 2024
Independent Auditor's Report signed	10 December 2024

Source: Audit Scotland

Audit fee

34. In determining the audit fee, we have taken account of the risk exposure of Tactran and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The agreed audit fee for 2023/24 is £13,800 (2022/23: £13,035), an increase of 5.9%.

35. In setting the fee for 2023/24, we have assumed that Tactran has effective governance arrangements and will prepare a comprehensive and accurate set of annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned a supplementary fee may be levied.

Other matters

Internal audit

36. It is the responsibility of Tactran to establish adequate internal audit arrangements. No internal audit work is planned for Tactran during 2023/24 therefore we cannot place any formal reliance on internal audit to support our opinion on the 2023/24 financial statements.

External audit team

37. The engagement lead (i.e. appointed auditor) for the 2023/24 audit of Tactran is Maggie Bruce, Senior Audit Manager. Jennifer Grant, Auditor will continue to work with Maggie to deliver the audit.

Independence and objectivity

38. The audit team are independent of Tactran in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

39. Audit Scotland has robust arrangements in place to ensure compliance with the Ethical Standard including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

40. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of Tactran.

Audit quality

41. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

42. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing

arrangements and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team and the appropriateness of proposed audit opinions of high-risk audit engagements.

43. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

44. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

45. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Tayside and Central Scotland Transport Partnership

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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