

Zetland Transport Partnership

**Report to Members and the Controller of Audit
on the 2006/07 Audit**



October 2007



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Introduction

1. This report summarises the findings from our 2006/07 audit of Zetland Transport Partnership. The scope of the audit was set out in our audit fee letter issued on 24 January 2007.
2. The financial statements of the Transport Partnership are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the Transport Partnership to prepare financial statements that present fairly its financial position and the income and expenditure for the year.
3. The members and officers of the Transport Partnership are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed
 - the Transport Partnership's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests
 - the Transport Partnership has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption
 - the Transport Partnership has proper arrangements for securing best value in its use of resources.



Financial statements

Introduction

4. In this section we summarise key outcomes from our audit of the Transport Partnership's financial statements for 2006/07. We also summarise key aspects of the Transport Partnership's reported financial position and performance to 31 March 2007.
5. We audit the financial statements and give an opinion on:
 - whether they present fairly the financial position of the Transport Partnership and its expenditure and income for the year
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the Statement on the System of Internal Financial Control by considering the adequacy of the process put in place by the Transport Partnership to obtain assurances on systems of governance and internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the organisation.

Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of Zetland Transport Partnership for 2006/07.
8. The unaudited financial statements were not submitted to the Controller of Audit by the deadline of 30 June, with the date of submission being 17 July. Steps should be taken to ensure that this deadline is met in future.

Action point 1

9. The Transport Partnership is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). Although final accounts preparation processes and working papers were generally satisfactory, a significant number of presentational changes were required to comply with the SORP. An example of good practice in relation to the format of accounts has been provided to officers for consideration in future years.

Action point 2



Financial position

10. In its first full year of operation of 2006/07, the Transport Partnership's gross revenue expenditure amounted to £918,410. This was met by funding from the Scottish Government of £300,944, bank interest of £5,462 and funding from Shetland Islands Council of £612,004.
11. The Proper Officer for Finance summarises performance against budget in the Explanatory Foreword to the accounts. Overall the contribution received from the Council was £77,314 greater than that budgeted, in order to fund higher than expected revenue costs.

Legality

12. We requested written confirmation from the Proper Officer for Finance that the Transport Partnership's financial transactions accorded with relevant legislation and regulations. Significant legal requirements are also included in audit programmes. The Proper Officer for Finance has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of other senior officers, the financial transactions of the Transport Partnership were in accordance with the relevant legislation and regulations governing its activities.
13. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Governance

Introduction

14. In this section we comment on key aspects of the Transport Partnership's governance arrangements during 2006/07.

Overview of arrangements in 2006/07

15. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. The Transport Partnership has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice.
16. A Statement on the System of Internal Financial Control is included within the annual financial statements, and highlights the Proper Officer for Finance's view that reasonable assurance can be placed upon the adequacy and effectiveness of the Transport Partnership's internal financial control system.
17. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Systems of internal control

18. The Transport Partnership's financial transactions are processed through Shetland Islands Council's financial systems. It is the responsibility of the Council's management to maintain adequate financial systems and associated internal controls. The auditor evaluates significant financial systems and associated internal controls both for the purpose of giving an opinion on the financial statements and as part of a review of the adequacy of governance arrangements.
19. Our review of these systems was conducted as part of the audit of Shetland Islands Council, supplemented by specific audit work on the Transport Partnership's financial statements. Overall there are no material issues of concern in relation to the operation of the main financial systems.

Prevention and detection of fraud and irregularities

20. The Transport Partnership does not have in place its own arrangements for the prevention and detection of fraud and corruption, but complies with the relevant policies of Shetland Islands Council.



Final Remarks

21. The members of Zetland Transport Partnership are invited to note this report. We would be pleased to provide any additional information that members may require.
22. The co-operation and assistance given to us by officers of the Transport Partnership is gratefully acknowledged.

Audit Scotland
October 2007



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
1	8	<p>Submission of financial statements</p> <p>The unaudited financial statements were not submitted to the Controller of Audit by the deadline of 30 June, with the date of submission being 17 July. Steps should be taken to ensure that this deadline is met in future.</p> <p><i>Risk: the statutory deadline for submission of the financial statements is not met. Financial performance is not reported to the public on a timeous basis.</i></p>	<p>The timetable in future will be met, this year was the first year of Zetland Transport Partnership accounts and clarification of the status of the body to allow compilation of the accounts was only sent by the Scottish Executive to Local Authorities on 27 June.</p>	Hazel Tait	Ongoing
2	9	<p>Compliance with SORP</p> <p>Although final accounts preparation processes and working papers were generally satisfactory, a significant number of presentational changes were required to comply with the SORP. An example of good practice in relation to the format of accounts has been provided to officers for consideration in future years.</p> <p><i>Risk: the financial statements do not comply with accounting requirements.</i></p>	<p>The presentation changes from the 2007 SORP and future SORPs will be incorporated into all future reporting to comply with accounting requirements. The Financial Accountant to provided notification of any future changes in advance of preparing the accounts.</p>	Hazel Tait on advice from Derek Hughson	Ongoing