

Zetland Transport Partnership

**Report to Members and the Controller of Audit
on the 2008/09 Audit**

September 2009



 **AUDIT SCOTLAND**

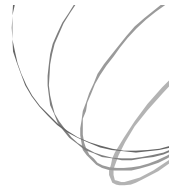


Zetland Transport Partnership

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Key Messages

We have given an unqualified opinion on the financial statements of Zetland Transport Partnership for 2008/09.



September 2009



Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of Zetland Transport Partnership. The report focuses mainly on the transport partnership's financial statements and addresses any significant findings that have arisen throughout the year. The scope of the audit was set out in our audit fee letter issued on 13 January 2009.
2. The financial statements are the means by which the transport partnership 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 a true and fair view of its financial position and the income and expenditure for the year.
3. Members and officers 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.
4. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by members. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.



Financial statements

Introduction

5. In this section we summarise key outcomes from our audit of the transport partnership's financial statements for 2008/09.
6. We audit the financial statements and give an opinion on:
 - whether they present a true and fair view of 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.
7. 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.

Audit Opinion

8. We have given an **unqualified** opinion that the financial statements of Zetland Transport Partnership for 2008/09 give a true and fair view of the financial position and expenditure and income of the transport partnership for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
9. We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the transport partnership to obtain assurances on systems of control.
10. The transport partnership's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Audited accounts were finalised prior to the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Accounting issues

11. Local authority bodies in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major



changes were introduced by the 2008 SORP. We were satisfied that the transport partnership prepared the accounts in accordance with the 2008 SORP.

Audit testing

12. The transport partnership's financial transactions are processed through Shetland Islands Council's financial systems. As part of our work, we took assurance from a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:

- Payroll
- Main accounting system
- Creditors payments
- Debtors and income

13. We also relied on the work of internal audit to support our work in these areas.

Prevention and detection of fraud and irregularities

14. 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.

Legality

15. Through our planned audit work we consider the legality of the transport partnership's financial transactions. In addition the Treasurer 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 relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Use of resources

Financial results

16. In 2008/09, the transport partnership's gross revenue expenditure amounted to £1,795,294. This was met by funding from the Scottish Government of £165,000, bank interest of £6,328 and funding from Shetland Islands Council of £1,623,966.
17. Following the outcome of the Comprehensive Spending Review Scottish Government revenue match funding was reduced from £447,000 in 2007/08 to £155,000 in 2008/09. Capital funding in 2008/09 was rolled up into the Local Authority Settlement and was no longer ring-fenced for use by the transport partnership. The transport partnership did receive capital funding of £88,138 from the council in 2008/09, however, this was substantially lower than the capital funding available in 2007/08.
18. The Proper Officer for Finance summarises performance against budget in the Explanatory Foreword to the accounts. Overall the contribution received from Shetland Islands Council was £74,325 greater than that budgeted, consisting of an increase in match funding of £27,721 and an increase in grant for bus services of £46,606.

Reserves and balances

19. The transport partnership does not hold any reserves or balances at the year end.

Going concern

20. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. Under the Transport (Scotland) Act 2005, constituent local authorities are required to meet the transport partnership's net expenses i.e. those expenses not met by grants or other income. The transport partnership has therefore considered it appropriate to adopt a going concern basis for the preparation of the financial statements.



Governance and accountability

Introduction

21. We believe that an effective organisation is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers.
22. In this section we comment on key aspects of the transport partnership's governance arrangements during 2008/09.

Structure and policies

23. Zetland Transport Partnership was established under the Transport (Scotland) Act 2005, to be responsible for bringing together key stakeholders in transport planning to produce and deliver strategies that aim to make a real improvement to users.
24. The transport partnership is a separate statutory body and draws its membership from nominated members of Shetland Islands Council, and representatives of Shetland Enterprise and NHS Shetland. There are also a number of observers and advisors to the transport partnership.

Partnership Working

25. The transport partnership works in cooperation with a number of stakeholders and interested bodies, including bus operators, airlines and ferry companies with the aim of developing a sustainable transport network. The transport partnership's joint study with HITRANS to carry out a review of air services in the Highlands and Islands is a prime example. The study covers all aspects of air service including local interisland services. It is anticipated that the study will be complete by September 2009.
26. Although the transport partnership is not a formal member of the Shetland Community Planning Partnership, it has a statutory obligation to participate in the community planning process. Community planning partners were heavily involved in the consultation and preparation of the transport partnership's transport strategy resulting in a strategy that is aligned to contribute to the outcomes agreed in the CPP's single outcome agreement.



Community Engagement

27. ZetTrans is committed to ensuring the views and ideas of all users and potential users of the transport system are listened to, gathered and responded to, as part of its decision-making process. The transport partnership recognizes that communities are diverse and that no one method or person is able to seek the views of everyone, and at different times, different forms of consultation will be required.
28. The content and development the transport partnership's transport strategy has benefited from extensive consultation with a wide range of stakeholders, initially undertaken between October 2005 and February 2006. The aim of the consultation was to develop a comprehensive understanding of the challenges, problems and opportunities that local residents, community councils, businesses and other organisations believed should be addressed through the transport strategy. Once the draft transport Strategy was published, consultation was again undertaken with communities, the health board, neighbouring transport authorities and community planning partners. The results from this phase were used to finalise the transport strategy.

Public performance reporting

29. In accordance with the 2005 act, the transport partnership produces a year end report for the Scottish Ministers summarising the performance of its functions for the year. This is available to the public through the transport partnership's website.

Governance and internal control

30. 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.
31. A Statement on the System of Internal Financial Control is included within the annual financial statements, and highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the transport partnership's internal financial control system.
32. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Systems of internal control

33. 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.

34. 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.



Performance management and improvement

Introduction

35. We believe that an effective organisation has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision should be promoted by members and officers and supported by staff. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery.

Vision and Strategic Direction

36. The transport strategy's vision and objectives were developed following an extensive period of community and stakeholder consultation, analysis of constraints and drivers, and also assessment of key problems and opportunities.
37. The vision is to develop an effective, efficient, safe and reliable transport system for Shetland. The transport system will comprise an integrated network of accessible, and affordable internal, inter-island and external links, which will contribute to the development of a safe, healthy, vibrant and inclusive society; a diverse, successful and self-sufficient economy, and enhanced environmental quality.

Performance management

38. The transport partnership monitors delivery of the transport strategy using a series of Key Performance Indicators (KPIs). The KPIs give information and statistics on a number of areas, including:
- the reliability of Shetland's transport
 - standards of road maintenance; fuel consumption levels
 - market growth on Shetland's transport network.
39. From these KPIs progress can be monitored year on year and be compared with the Scottish picture. A full report for 2007/08 has been published on the transport partnership's website <http://www.zettrans.org.uk/aboutus/TransportStrategy.asp>. The 2008/09 report was presented to the transport partnership in August 2009.



Final Remarks

40. 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.

41. The co-operation and assistance given to us by officers of the transport partnership is gratefully acknowledged.





Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date Issued
Report on financial statements to those charged with governance	31/8/09	24/8/09
Audit opinion on the 2008/09 financial statements	31/8/09	31/8/09