



HENDERSON LOGGIE
Chartered Accountants

Tayside and Central Scotland Transport Partnership: Tactran

**Report to Members and the
Controller of Audit**

2009/10

External Audit Report No: 2010-01

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Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of Tayside and Central Scotland Transport Partnership's (Tactran) financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Tactran and the Tactran Board and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



1. Executive Summary

Finance

1. Our opinion on the financial statements is unqualified. The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Tactran and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
2. The Partnership's Income and Expenditure Account shows a deficit position for the year of £0.005 million. After adjusting for amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance, a nil surplus / nil deficit position was achieved in compliance with The Transport (Scotland) Act 2005.
3. Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with Financial Reporting Standard (FRS) 17 – Retirement Benefits the estimated pension liabilities provided by the Actuary at 31 March 2010 exceeded its share of assets in the scheme. At 31 March 2010 the excess of liabilities over assets, as advised by the scheme Actuary, amounted to £0.848 million (31 March 2009: £0.290 million).

Governance

4. The Tactran Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of the Partnership's performance. Officers provide the Tactran Board with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.
5. The Partnership's Standing Orders, Financial Regulations and Scheme of Delegations were last updated in April 2007. We have been informed that these are currently under consideration as part of a wider review of Tactran's governance arrangements, which will include alignment with SOA governance. It is proposed that updated governance documents will be reported to the Partnership meeting in December 2010. We recommend that, at the time of finalising the updated governance documents, formal review dates should be set to ensure that they remain fit for purpose. As part of the governance review consideration should also be given to drawing up a Local Code of Corporate Governance and producing an Annual Governance Statement for inclusion within the 2010/11 financial statements.
6. Support services are provided by Perth & Kinross Council. A Service Level Agreement (SLA) is currently in place with the Council for Payroll services and, from 1 April 2010, Information Technology (IT). SLAs for other support services are currently being developed in conjunction with relevant Council departments. For the first three years of the Partnership's existence costs have been agreed through officer negotiation, with the aim of moving to formalised SLAs as the Partnership evolved. Management should ensure that the outstanding SLAs are finalised as soon as practical.

Performance

7. Tactran submitted a revised Regional Transport Strategy (RTS) to the Scottish Government on 2 May 2008 and this was approved on 24 June 2008. The RTS sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the 15 years to 2023. As reported last year, sub-strategies have been developed covering Walking and Cycling; Buses; Travel Information; and Park and Ride.
8. A significant number of initiatives were progressed during 2009/10 as part of the RTS development and implementation (revenue) programme. Under the Travel Information sub-strategy, a Regional Travel Information Gateway website www.tactranconnect.com was launched on 20 May 2010, which is the first of its kind in Scotland and an example of good practice.



1. Executive Summary

Performance (Cont'd)

9. A Finalised Delivery Plan was submitted for approval by the Partnership at its meeting on 23 June 2009. The RTS Delivery Plan was re-defined, in light of the Scottish Government / Local Government Concordat and Government Spending Review, which resulted in former Regional Transport Partnership (RTP) Capital Grant, which is not now ring-fenced, being allocated directly to constituent Councils from 1 April 2008. As reported last year, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils.
10. We highlighted last year that the funding situation was a key risk area that Tactran Board members would need to continue to monitor closely. Throughout the year the Director has provided progress reports at Partnership meetings on discussions between RTPs, the Convention of Scottish Local Authorities (CoSLA) and Scottish Government officers on alternative sources of funding for major transport improvements in Scotland.
11. Travel plan and sustainable travel related initiatives continued during the year. The Travel Plan Officer continues to provide support to and engage with partner Councils, Health Boards, Further Education establishments and other public / private sector bodies on development and implementation of Active Travel Plans and associated measures.
12. Ongoing performance management is undertaken via a framework that involves Tactran officers and members of the Tactran Board. At its meeting on 23 June 2009 the Tactran Board approved a monitoring framework that will form the basis of statutory Annual Reports on the development and delivery of the RTS. The RTS Monitoring Framework was included as an appendix to the 2008/09 Annual Report, which was published in April 2010. It is intended that this will be updated and developed, including publication of relevant 'SMART' targets, in future years' Annual Reports. The reporting of relevant Performance Indicators (PIs) on a more frequent basis for management purposes is currently under consideration.
13. At its meeting on 23 June 2009 an update was provided to the Partnership on the finalisation of Single Outcome Agreements (SOAs) for the four partner Council areas and seeking the Partnership's formal endorsement of the finalised SOAs.
14. Tactran's 2009/10 Scottish Government Grant letter included a new clause, seeking commitment to deliver an annual 2% cash releasing efficiency saving. This is equivalent to £0.0123 million per annum being 2% of the Scottish Government award of Grant-in-Aid and savings in excess of this amount were identified. Tactran's proposed Core Revenue budget for 2010/11 identified savings totalling £0.040 million, equivalent to 4.8% of the total revenue budget. Discussions with partner Councils are proposed, with a view to identifying further opportunities where Tactran can contribute to addressing anticipated public sector funding pressures in future years through shared services and other efficiency opportunities.

Acknowledgements

15. Our audit has brought us in contact with Tactran staff and accountants from Perth & Kinross Council assigned to facilitate the accounts preparation. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us in the discharge of our duties.



2. Introduction

Introduction

16. We are pleased to submit our fourth annual report, covering significant matters arising during the course of our audit of Tactran for the year ended 31 March 2010. The report incorporates the communication of findings from the audit required by International Standard on Auditing (ISA260): *Communication of Audit Matters with Those Charged with Governance*.
17. The framework under which we operate under appointment by Audit Scotland is set by our letter of appointment, the Local Government Acts, (primarily Part VII of the Local Government (Scotland) Act 1973), auditing standards, Audit Scotland's Code of Audit Practice and ad hoc guidance.
18. This framework provides all bodies within the Public Sector with an audit model that is wider than simply providing assurance on the financial statements and the internal control environment. This wider model covers finance, governance and performance. The respective responsibilities of members, officers and auditors are set out in Appendix I of this report.
19. Broadly the scope of our audit was to
 - provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission;
 - review and report on Tactran's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Partnership's financial position; and
 - review and report on Tactran's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value.
20. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Partnership.
21. As part of our overall planning approach to the Partnership's annual audit we carried out a review of the key risks, national and local, facing the Partnership and we have continued to monitor these risks during the year through attendance at Partnership meetings, review of minutes and discussions with officers. Where appropriate we have included an update on these risks in this report. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
22. This report summarises our findings from our 2009/10 audit of Tactran. The findings are set out in three sections: Finance, Governance and Performance.
23. We have made some recommendations which are intended to address the issues identified during the course of the audit and improve the audit process for future years. They are included in an Action Plan at section 6.
24. We take this opportunity to remind you that external auditors do not act as a substitute for the Partnership's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.



3. Finance

Financial Statements Audit

25. We have given an unqualified opinion on the financial statements of Tactran for the year ended 31 March 2010. A copy of our proposed auditors' report is included at Appendix II.
26. We set out below a summary of the audit certification issues:
- the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2010 and the income and expenditure of Tayside and Central Scotland Transport Partnership for the year then ended;
 - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973; and
 - the Statement on the System of Internal Financial Control complies with the SORP. We were not required to consider whether the statement covers all risk and controls or form an opinion on the effectiveness of the Tactran's corporate governance and risk and control procedures.
27. Non-compliance with statute or regulations may materially affect the financial statements. Our audit procedures include the following:
- reviewing minutes of relevant meetings;
 - enquiring of senior management the position in relation to litigation, claims and assessments; and
 - detailed testing of transactions and balances.
28. We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.
29. We also request written confirmation from the Treasurer and the Partnership Director that Tactran's financial transactions accord with relevant legislation and regulations. They have confirmed that they are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the Partnership to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2010.



3. Finance

30. Under ISA 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the table below:

Table 1: ISA 260 Reporting

Area	Key Messages
Nature and scope of audit	We planned our audit in accordance with International Auditing Standards and the Code of Audit Practice. There were no new audit matters of governance interest to communicate to Board members this year and therefore a detailed Annual Audit Plan was not prepared for 2009/10.
Integrity and objectivity of the audit engagement partner and audit staff	As external auditors, we are required to communicate on a timely basis all facts and matters that may have a bearing on our independence. We provided no consultancy or non-audit services to Tactran during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.
Accounting policies and practices	In our opinion there is an issue that requires to be brought to your attention regarding the appropriateness of the Partnership’s accounting policies and practices as it has a material impact on the financial statements. Tactran’s Balance Sheet at 31 March 2010 has an excess of liabilities over assets of £0.848 million (31/03/09 £0.290m) due to the accrual of pension liabilities in accordance with FRS 17 – Retirement Benefits. The Partnership has adopted a ‘going concern’ basis for the preparation of the financial statements as constituent authorities of the Partnership are required to meet all liabilities of the Partnership as they fall due. We are satisfied that the process which the Partnership has undertaken to consider the organisation’s ability to continue as a going concern is reasonable.
Material Risk and exposure	<p>The Transport (Scotland) Act 2005 requires constituent councils to meet RTP’s net expenses for the financial year. This means expenditure of RTPs will always be equal to income in any one year, and accordingly they cannot make an in-year surplus or deficit. For 2009/10, following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position.</p> <p>As reported last year, and elsewhere in this report, Council Budget and funding decisions have resulted in only partial commitment of the funding necessary to deliver the RTS Delivery Plan Programme. In particular, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils and has implications for the effective operation of the Partnership.</p> <p>There are no other issues relating to these risk areas that require to be brought to your attention. Comment on these issues is included within this report.</p>



3. Finance

Audit Adjustments	<p>No audit adjustments were identified during the course of our audit of the financial statements although two disclosure adjustments were made.</p> <p>One related to capital grant monies paid to Transport Scotland in March 2008 as a contribution towards improvements to the Swallow Roundabout, Dundee. This money was held in suspense by Transport Scotland and returned to Tactran in July 2009 as the original draw down conditions had not been met. At the Partnership meeting on 23 June 2009 it was agreed to redirect this funding to another transport project in Dundee. Note 5 to the financial statements, 'Transactions with Related Parties', was amended to include details of this transaction.</p> <p>The other arose from the Chancellor of the Exchequer's announcement in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of FRS 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event and Note 14 to the financial statements, 'Events after the Balance Sheet Date', was amended to include the necessary disclosure.</p> <p>Definitions of material, significant and trivial are provided at Appendix III.</p>
Unadjusted Misstatements	There were no unadjusted misstatements (other than those which are trivial).
Material Uncertainties	There are no material uncertainties related to events and conditions that cast significant doubt on the Partnership's ability to continue as a going concern. While there is a negative net asset position in Tactran's Balance Sheet, this is due to the pension scheme liability. As there are arrangements in place for the funding of the deficit, the financial position of the Partnership remains assured, and therefore the going concern basis for accounting is appropriate.
Fundamental Disagreements	There are no areas of disagreement with management that, individually or in aggregate, have a significant impact on the financial statements and our audit report.
Modifications to our audit report	There are no modifications to our audit report.
Material Weaknesses	No material weaknesses in the accounting and internal control systems were identified during the audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.
Other matters relevant to the audit	There are no other matters specifically required by other auditing standards which need to be communicated.



3. Finance

Financial Position

31. The Transport (Scotland) Act 2005 requires constituent Councils to meet RTPs net expenses for the financial year. This means that the expenditure of RTPs will always be equal to income in any year, and accordingly they cannot make an in-year surplus or deficit.
32. For 2009/10, following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position.

Financial Performance

33. For 2009/10 Tactran had an overall revenue budget of £0.969 million made up of a Core budget of £0.440 million (£0.220 million from the Scottish Government and £0.220 million from the four constituent Councils in proportional amounts); funding of £0.395 million from the Scottish Government to support development and implementation of the RTS; £0.035 million awarded by the Scottish Government to progress mainstreaming Travel Planning and other 'SMART' measures with Local Authorities and Health Boards; £0.049 million brought forward from 2008/09 and an allocation of £0.050 million from a Scottish Government Grant to Perth & Kinross Council to support investigation of the potential for a Freight Distribution Centre as part of an Air Quality Action Plan for Perth.
34. Financial performance can be measured against the financial budget set by the Tactran Board for 2009/10. The final reported outturn in the 2009/10 financial statements shows an under-spend of £0.026 million in relation to Roads and Transport. This takes account of reallocation of £0.0123 million efficiency savings to the Travel Plan budget and reallocation of further savings projected at £0.029 million towards the RTS implementation budget, as approved by the Partnership at its meeting on 15 December 2009 (refer paragraph 78 below). The under-spend was due to reduced expenditure on the RTS budget of £0.018 million, the Sustainable Travel Grant Scheme (STGS) of £0.005 million and the Core budget of £0.003 million.
35. It was agreed at the Partnership meeting on 15 June 2010 that this under-spend be retained to cover unexpected staffing costs associated with the need to appoint maternity cover for the post of Travel Planning Officer, with a decision on the return of any residual under-spend to Councils to be deferred until later in the year.

Accounting system

36. For 2009/10, the accounting system continued to be maintained on simple spreadsheets. Whilst this system is appropriate for the current scale of the organisation an enhanced financial system should be considered for future years as the Partnership evolves.

Pensions

37. Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with FRS 17 – Retirement Benefits the estimated pension liabilities provided by the Actuary at 31 March 2010 exceeded its share of assets in the scheme. At 31 March 2010 the excess of liabilities over assets, as advised by the scheme Actuary, amounted to £0.848 million (31 March 2009: £0.290 million).
38. The liability is due to the accrual of pension liabilities in accordance with FRS 17.

3. Finance

Reserves and Balances

39. RTPs cannot carry a balance on their General Fund as, due to the way they are funded, income is restricted by statute to the amount of the expenditure. Accordingly the balance on the General Fund at 31 March 2010 is nil.
40. A specific Pensions Reserve has been created to match the estimated net pension liability. The balance on this reserve at 31 March 2010 was £0.848 million (31 March 2009: £0.290 million).

International Financial Reporting Standards

41. International Financial Reporting Standards (IFRS)-based financial instrument standards were adopted in the 2007 SORP. The 2009 SORP adopted the IFRS based approach to accounting for PFI/PPP schemes from 2009/10. As Tactran has no PFI/PPP schemes there were no implications for the 2009/10 financial statements.
42. An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. The Code applies from 1 April 2010 and we are aware that discussions have already taken place to ensure that the necessary arrangements are made to comply with the new requirements of the Code.
43. Authorities and boards need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. Once this work has been completed, we will review the restatement work and report our findings.

Whole of Government Accounts (WGA)

44. According to WGA guidance there is no requirement for audit of WGA accounts if under £50m (either Fixed Assets, gross expenditure or net assets / liabilities). Tactran's financial statements submitted for audit meet the 'no audit' levels for WGA accounts.

4. Governance

General

45. The Tactran Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of Partnership's performance. Officers provide the Tactran Board with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.

Board Membership

46. The 10 Councillor Members of the Partnership are drawn from the four constituent Councils. On 23 June 2009 the Tactran Board appointed Councillor Will Dawson as the Partnership's new Chair. The vacancy arose as a result of changes to two of Dundee City Council's three representatives on the Board. There was one further change to membership during 2009/10 in relation to one of Stirling Council's two representatives.
47. The Tactran Board also has a maximum of five non-Councillor Members. On 22 September 2009 the Partnership agreed to the re-appointment of Mr Gavin Roser as a non-Councillor member until 30 September 2011 and noted the Ministerial endorsement of the appointment of Professor Tony Wells as Health sector representative on the Partnership until 30 June 2010. At the Partnership meeting on 16 March 2010 the Secretary advised that the term of office for both Professor Malcolm Horner and Mr Bill Wright would expire on 30 April 2010. Mr Wright had indicated he was willing to continue as a non-Councillor Member and approval was required to replace Professor Horner who was stepping down. It was resolved to extend Mr Wright's term of office for a further two year period until 30 April 2012 subject to satisfactory appraisal by the Chair in accordance with Scottish Government procedures and this was successfully concluded with the support of the Director and Secretary. In order to provide a greater degree of continuity beyond the next Local Authority elections in May 2012, it was agreed at the Partnership meeting on 15 June 2010 to further extend Mr Wright's term of office until 30 September 2012. A recruitment process was entered into to fill the vacancy left by Professor Horner.

Board Meetings

48. The Tactran Board met four times during 2009/10, receiving and approving the 2009/10 – 2010/11 Capital and Revenue Programmes; quarterly monitoring reports on the Capital and Revenue Programmes; updates on the development of the RTS Delivery Plan and on the Travel Plan Strategy and Action Plan; Park & Ride Strategy; Travel Information Strategy; Tay Estuary Rail Study; Freight Quality Partnership; and reports on other matters of relevance to the role and work of the Partnership.

Board Committees

49. The Partnership's Executive Committee, which comprises one member from each of the constituent Councils and one non-Councillor Member, meets as required to discuss business requiring attention outwith the normal Board meeting cycle. The Executive Committee did not meet during the year although members considered documents circulated to them for comment.
50. In previous years' Report to Members we noted that the need for additional committees, in particular a separate audit and scrutiny committee, as part of establishing a wider governance framework will evolve as the Partnership develops. To date we remain satisfied that relevant business has been taken to and considered by the Partnership Board.

Chief Officers and Staff

51. There were no changes during the year in Chief Officer and senior staff posts.

4. Governance

Governance Framework

52. During the year the Partnership continued to develop its corporate governance documentation and policies.
53. The Partnership's Standing Orders, Financial Regulations and Scheme of Delegations were last updated in April 2007. We have been informed that these are currently under consideration as part of a wider review of Tactran's governance arrangements, which will include alignment with SOA governance. It is proposed that updated governance documents will be reported to the Partnership meeting in December 2010.

R1 At the time of finalising the updated governance documents, such as the Partnership's Standing Orders and Financial Regulations, formal review dates should be set to ensure that they remain fit for purpose.

54. The development of a Records Management policy and procedures to accompany the Publications Scheme approved in February 2009 continues to be progressed and it is planned that these will also be finalised for the Partnership meeting in December 2010.

Internal Control

55. Support services are provided by Perth & Kinross Council. SLAs are currently in place with the Council for Payroll services and, from 1 April 2010, IT. SLAs for other support services (Secretariat, Financial, Legal, Human Resources) are currently being developed in conjunction with relevant Council departments. At its meeting on 22 September 2009 the Partnership granted delegated authority to the Director to conclude SLAs with Perth & Kinross Council covering these services. For the first three years of the Partnership's existence costs have been agreed through officer negotiation, with the aim of moving to formalised SLAs as the Partnership evolved. The delay in finalising the outstanding SLAs has largely been due to budget constraints requiring Tactran to bring aspects of these services in-house. For example, the Tactran Office Manager now performs Secretariat duties such as co-ordinating the issue of Board papers and taking minutes. The new arrangements require to be fully reflected in the SLAs before finalising.

R2 Management should ensure that the outstanding SLAs with Perth & Kinross Council are finalised as soon as practical.

56. No internal audit services were provided by Perth & Kinross Council's Internal Audit team for 2009/10 as there is no longer a requirement for grants received to be audited.

Annual Governance Statement

57. In June 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published the revised Framework – *Delivering Good Governance in Local Government*. This recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. Tactran has opted not to introduce this during 2009/10. While this has not been designated as statutory proper practice, Tactran should be encouraged to include an Annual Governance Statement within its statement of accounts for 2010/11. It is however recognised that the scale of the organisation and the probable impact of the fiscal climate on its capacity to undertake additional work of this type would have to be taken into consideration before any final decision is made on this matter.

R3 Further consideration should be given to producing an Annual Governance Statement for inclusion within the 2010/11 financial statements.

4. Governance

Annual Governance Statement (Cont'd)

58. The above publication also sets out six core principles, which together with supporting principles, translates into a range of specific requirements that should be reflected in authorities local codes. Tactran does not currently have a Local Code of Corporate Governance.

R4 As part of the current review of Tactran's governance arrangements consideration should be given to drawing up a Local Code of Corporate Governance.

Fraud and Irregularity

59. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
60. At a corporate level, the Partnership has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, anti-fraud and anti-corruption policies, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.
61. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. We reported in our 2008/09 Report to Members that subsequent to the year-end Tactran's bankers identified a fraud perpetrated against the bank involving the presentation of forged cheques in May / June 2009. This did not result in a loss to the Partnership as monies were reimbursed by the bank. Although it was established that the fraud did not involve Tactran or Perth & Kinross Council staff actions have been taken by management to further enhance the control environment to take account of the particular circumstances giving rise to the fraud.

5. Performance

Strategic Planning and Performance Management

Regional Transport Strategy

62. Tactran submitted a revised RTS to the Scottish Government on 2 May 2008 and this was approved on 24 June 2008. The RTS sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the 15 years to 2023. As reported last year, sub-strategies have been developed covering Walking and Cycling; Buses; Travel Information; and Park and Ride.
63. A significant number of initiatives were progressed during 2009/10 as part of the RTS Development and Implementation (revenue) Programme. Under the Travel Information sub-strategy, a Regional Travel Information Gateway website www.tactranconnect.com was launched on 20 May 2010, which is the first of its kind in Scotland and an example of good practice. The website combines existing data sources on one site for easier access and therefore requires no additional resource input from partner agencies. There are links to bus and rail timetables as well as station locations and information on planning a car journey, lift-sharing, walking, cycling, taxis and air travel. The website is aimed at engaging a wider audience than individual local websites through the range of multi-modal information provided. Any future additional links can be easily integrated. The website was advertised through various media including press, radio and distribution of leaflets to key stakeholders.

Delivery Plan

64. A Finalised Delivery Plan was submitted for approval by the Partnership at its meeting on 23 June 2009. The RTS Delivery Plan was re-defined, in light of the Scottish Government / Local Government Concordat and Government Spending Review, which resulted in former RTP Capital Grant, which is not now ring-fenced, being allocated directly to constituent Councils from 1 April 2008. As reported last year, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils and has implications for the effective operation of the Partnership.
65. Perth & Kinross Council and Dundee City Council agreed on a proposed programme of schemes utilising the equivalent former RTP Capital Grant allocations for 2009/10 and 2010/11. Angus Council and Stirling Council declined the Partnership's request to contribute shared funding however Angus Council allocated its former RTP Capital Grant funding over the two year period to four RTS road and public transport projects in its area. In addition, elements of Stirling Council's General Capital Programme for 2009/10 supported delivery of the Tactran RTS. A summary of progress and the projected outturns for these programmes was presented to Partnership meetings in September and December 2009 and March 2010.
66. We highlighted last year that the funding situation was a key risk area that Tactran Board members would need to continue to monitor closely. Throughout the year the Director has provided progress reports at Partnership meetings on discussions between RTPs, the CoSLA and Scottish Government officers on alternative sources of funding for major transport improvements in Scotland. A paper arising from these discussions was submitted to the Joint RTPs / CoSLA Transport Strategy Group meeting on 10 December 2009. This included a number of action points covering a range of options, such as prudential borrowing and European funding opportunities. Discussions in relation to this are still ongoing and will have to take into consideration the Government's Comprehensive Spending Review.

5. Performance

Travel Plan Strategy and Action Plan

67. Travel plan and sustainable travel related initiatives continued during the year. The Travel Plan Officer continues to provide support to and engage with partner Councils, Health Boards, Further Education establishments and other public / private sector bodies on development and implementation of Active Travel Plans and associated measures.
68. A programme of activity for 2009/10 was approved at the Partnership meeting on 23 June 2009 utilising funding of £0.058 million available for projects and initiatives. This funding was supplemented by an additional £0.0123 million from efficiency savings (refer paragraph 78 below). Progress to date is summarised below:
- £0.0322 million was allocated to the STGS. Partnership minutes report that this scheme has been well received, with a number of bids from Councils, Health Boards and Further Education establishments. In 2009/10 the Grant was opened to all public sector and not-for-profit organisations, providing a wider range of travel support across the region. Bids received in 2009/10 have included: personalised travel planning projects with employees; promotion of organisational travel plan measures and upgrading cycle lock-up facilities across the region.
 - £0.0381 million was allocated for Promotional and Media Campaigns / Smarter Measures. This has included further promotion of Tactran's liftsharing website www.tactranliftshare.com on both Tay and Central FM radio stations, which is now approaching 3,000 members, as well as raising awareness of Tactran's Travel Plan Toolkit among major employers. Development of guidance for public transport Salary Sacrifice implementation is planned for 2010/11.

Performance Management

69. Ongoing performance management is undertaken via a framework that involves Tactran officers and members of the Tactran Board. Regular progress updates in relation to the RTS and Travel Plan Strategy and Revenue and Capital Programmes are provided at meetings of the Tactran Board.
70. The Transport (Scotland) Act 2005 requires that RTPs publish and submit to Scottish Ministers an annual report on the performance of their functions. Tactran's Annual Report for 2008/09 was approved for submission to Scottish Ministers and for general publication by the Executive Committee in April 2010 under delegated authority from the Tactran Board.
71. At its meeting on 23 June 2009 the Tactran Board approved a monitoring framework that will form the basis of statutory Annual Reports on the development and delivery of the RTS. The Framework addresses each RTS Objective and Sub-Objective in turn and defines PIs along with the means of measuring them. The PIs have been developed to ensure that they have the ability to link with evolving SOA indicators and their respective monitoring frameworks. They also seek to reflect Scottish Government's priority indicators of SOA contributions towards relevant national transport outcomes. During 2009/10 consultants completed development of this framework, and production of indicators and short and long-term targets. The RTS Monitoring Framework was included as an appendix to the 2008/09 Annual Report. It is intended that this will be updated and developed, including publication of relevant 'SMART' targets, in future years' Annual Reports. The 2009/10 Annual Report is expected to be published in December 2010. The reporting of relevant PIs on a more frequent basis for management purposes is currently under consideration. Discussions are currently ongoing with partner Councils with a view to incorporating relevant elements of the RTS Monitoring Framework within SOA monitoring arrangements. Some of these have already been embedded for one Council.

5. Performance

Single Outcome Agreements

72. In 2007 national and local government leaders signed a concordat which requires each local authority to produce a SOA detailing how it would contribute to national outcomes whilst meeting its own local priorities. In return the Scottish Government pledged to allow councils greater freedom, for example, by removing ring-fencing of funds.
73. At its meeting on 23 June 2009 a report was submitted to the Partnership providing an update on the finalisation of SOAs for the four partner Council areas and seeking the Partnership's formal endorsement of the finalised SOAs. The Director reported that although there were few direct references to transport within the Government's five key Strategic Objectives and the 15 National Outcomes in the Government / Local Government Concordat, Ministers had recognised that effective transport infrastructure and services were essential to ensuring the successful delivery of outcomes at both the national and local level. The Partnership had strengthened its engagement in the four constituent Councils' Community Planning processes and the SOAs, now being Community Planning Partnership agreements, had given further added focus to that process.
74. It was remitted to the Director and Proper Officers to review the Partnership's governance procedures to align with SOA governance, accountability and reporting requirements, as appropriate, and to report on this to a future meeting of the Partnership.
75. During the year, the Director was nominated to represent RTP interests on a national Project Board, which is overseeing the development of Local Outcome Indicators (LOIs) and associated Guidance for SOAs.

Efficient Government

76. All public sector bodies in Scotland are involved with the Scottish Government's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings through elimination of waste, bureaucracy and duplication.
77. For 2009/10 to 2010/11, the emphasis has moved from non-cash to cash efficiency savings. Tactran's 2009/10 Scottish Government Grant letter included a new clause, seeking commitment to deliver an annual 2% cash releasing efficiency saving. This is equivalent to £0.0123 million per annum being 2% of the Scottish Government award of Grant-in-Aid totalling £0.615 million for 2009/10.
78. The Director and Treasurer undertook to review all areas of expenditure to identify areas of cash releasing efficiency savings and to report on this as part of the Partnership's Budget monitoring reports. As at 31 October 2009 there was a projected under-spend of £0.0413 million for 2009/10 against budget, principally as the appointment to two technical support posts has been deferred pending future consideration of the RTP and Council funding and resourcing. At the Partnership meeting on 15 December 2009 it was agreed that £0.0123 million of this under-spend (equivalent to the 2% efficiency saving requirement) was reallocated to supporting increased Travel Plan activity, with the remaining £0.029 million being re-allocated to support RTS implementation measures. Any residual under-spend in the Core Revenue Budget at the year end was to be returned to partner Councils (although refer comment at paragraph 35).
79. Tactran's proposed Core Revenue budget for 2010/11 was also approved at the Partnership meeting on 15 December 2009. This budget identified savings totalling £0.040 million, equivalent to 4.8% of the total revenue budget.
80. Discussions with partner Councils are proposed, with a view to identifying further opportunities where Tactran can contribute to addressing anticipated public sector funding pressures in future years through shared services and other efficiency opportunities.



5. Performance

Risk Management

81. Tactran's Financial Regulations require the Treasurer to assess the risks faced by the Partnership and, in consultation with the Partnership Director, maintain a risk register that includes an assessment of the importance and likelihood of each eventuality and the most appropriate course of action in each case.
82. The Partnership Director and other Tactran professional officers are required to promptly inform the Treasurer of any new risks within their area of responsibility that may come to light.



6. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
53	Governance R1 At the time of finalising the updated governance documents, such as the Partnership's Standing Orders and Financial Regulations, formal review dates should be set to ensure that they remain fit for purpose.	C	Recommendation accepted. Formal review dates will be recommended when reporting to the Partnership Board on review of Governance Documentation, currently planned for 14 December 2010 meeting.	Yes	Director	31 December 2010
55	R2 Management should ensure that the outstanding SLAs with Perth & Kinross Council are finalised as soon as practical.	C	Work is continuing on the development of updated SLAs covering Secretariat; Finance; HR and Legal, reflecting revisions to corporate support requirements implemented during 2010 in response to Budget savings in 2010/11.	Yes	Director	31 December 2010
57	R3 Further consideration should be given to producing an Annual Governance Statement for inclusion within the 2010/11 financial statements.	A	Recommendation accepted.	Yes	Treasurer	30 June 2011



6. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
58	R4 As part of the current review of Tactran's governance arrangements consideration should be given to drawing up a Local Code of Corporate Governance.	A	Recommendation accepted. The development of a Local Code of Corporate Governance will be considered in consultation with Proper Officers as part of the ongoing review of Governance procedures and processes.	Yes	Director	31 December 2010

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Issues which require the consideration of the Tactran Board;
- B Significant matters which the Partnership Director or other senior officers can resolve;
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.



Appendix I Respective Responsibilities

Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Tactran Board and the Treasurer's responsibilities for the Statement of Accounts are set out at page 28 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report that opinion to you.

We are required to review whether Tactran's Statement on the System of Internal Financial Control reflects the Partnership's compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risk and controls, or form an opinion on the effectiveness of the Tactran's corporate governance procedures or its risk and control procedures.



Appendix II

Independent Auditors' Report (Proposed)

Independent auditors' report to the members of Tayside and Central Transport Partnership and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Tayside and Central Scotland Transport Partnership (Tactran) for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, we report to you if, in our opinion, Tactran has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of Tactran's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only Members and Officials 2009/10, the Report by Partnership Director and the Explanatory Foreword by Treasurer. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



Appendix II

Independent Auditors' Report (Proposed)

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Tactran's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2010 and the income and expenditure of Tayside and Central Scotland Transport Partnership for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Henderson Loggie
Chartered Accountants
Registered Auditors
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

9 September 2010



Appendix III

Definition of Material, Significant and Trivial

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Partnership. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formula and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Partnership has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Partnership agrees to adjust the errors.



Appendix IV Acronyms

CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
FRS	Financial Reporting Standards
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
IT	Information Technology
PI	Performance Indicators
RTP	Regional Transport Partnership
RTS	Regional Transport Strategy
SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Realistic, Time bound
SOA	Single Outcome Agreement
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SORP	Statement of Recommended Practice
SSIFC	Statement on the System of Internal Financial Control
STGS	Sustainable Travel Grant Scheme
TACTRAN	Tayside and Central Scotland Transport Partnership
WGA	Whole of Government Accounts