

Report to Partnership Meeting of 1 February 2008

Audited Statement of Accounts – 2006/2007

Report by Partnership Treasurer

SUMMARY

This report sets out the requirement for annual accounts and presents Audit Scotland's, HITRANS auditor, report and matters arising from the audit of the financial statements for the year ended 31 March 2007.

1. BACKGROUND

- 1.1 Under Scottish Government legislation each Transport Partnership is required to produce an annual statement of accounts by 30 June following the end of the financial year and presented for audit to their respected auditors. In HITRANS case, Audit Scotland. The statement of accounts must prescribe to all accounting standards and statements of recommended practice.
- 1.2 The statement of accounts were presented, for audit, to Audit Scotland on 27 June 2007. Legislation requires Audit Scotland to have completed their audit and report by 30 September. The completed audited accounts were signed by Audit Scotland on 31 August 2007.

2. STATEMENT OF ACCOUNTS

- 2.1 The unaudited statement of accounts for the year ended 31 March 2007 were presented to the Partnership meeting on 3 August 2007. I am pleased to say no adjustments were required to the accounts during the audit.
- 2.2 A copy of the accounts have been placed on HITRANS website and if members require a hard copy these can be obtained from the Partnership's office.

3. AUDITOR'S CLEARANCE REPORT

- 3.1 A copy of Audit Scotland's "Report to those charged with governance on the 2006/07 audit" is attached. The audit report is unqualified with one matter arising.

4. RECOMMENDATION

- 4.1 Board Members are asked to note the above information as well as the attached Auditor's Clearance Report on the statement of accounts for the year ended 31 March 2007.

Signature:

Designation: Partnership Treasurer

Date: 22 January 2008

Author: Mike Mitchell, Finance Manager, Highland Council

Highlands and Islands Transport Partnership

Report to those charged with governance on the 2006/07 audit



31 August 2007

Contents

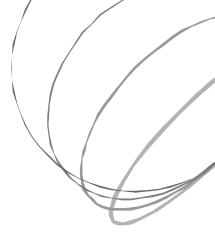
Key Issues	1	Appendix A	4
Introduction	1	Proposed Independent Auditor's Report	4
Status of the audit	2		
Matters to be reported to those charged with governance	2		



Key Issues

Introduction

1. International Standard on Auditing 260 (ISA 260) *Communication of audit matters to those charged with governance* requires auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. ISA 260 requires me to highlight:
 - the integrity and objectivity of the audit engagement lead and audit staff;
 - the nature and scope of the audit, including any limitations, and the form of reports expected to be made;
 - expected modifications to the audit report;
 - unadjusted misstatements (other than those which are clearly trifling);
 - material weaknesses in the accounting and internal control systems identified during the audit;
 - views about the qualitative aspects of accounting practices and financial reporting;
 - matters specifically required by other auditing standards to be communicated and any other matter relevant to the audit.
3. This report sets out for the Joint Board's consideration the relevant matters arising from the audit of Highlands and Islands Transport Partnership's financial statements for 2006/07 that require reporting under ISA 260. The contents should be brought to the attention of the Treasurer before they sign the relevant pages of the Financial Statements. This letter includes only those matters of governance interest that have come to our attention as a result of the performance of the audit. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. The letter has been prepared for the use of Highlands and Islands Transport Partnership and no responsibility to any third party is accepted.



Status of the audit

4. Our work on the financial statements is now complete. Should any further matters arise in concluding our work that requires to be reported under ISA 260, we will raise them with the Treasurer.

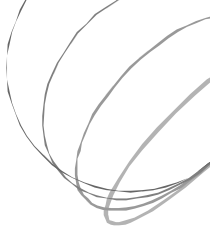
Matters to be reported to those charged with governance

Conduct of the audit

5. Information on the integrity and objectivity of the audit engagement lead and audit staff, and the nature and scope of the audit, were outlined in the Code of Audit Practice prepared by Audit Scotland in March 2007.
6. My anticipated auditor's report (appendix A) is unqualified.
7. There are no financial misstatements which came to light during the audit which have not been adjusted in the accounts.
8. The Joint Board's financial transactions are processed through Highland Council's financial systems. Our review of these systems was conducted as part of that Council's audit, supplemented by specific audit work on the Joint Board's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit which could 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.
9. I have received the formal representations from the Treasurer that I require for my audit.

Matters arising

10. In my view, one issue requires to be brought to your attention regarding the appropriateness of the Board's accounting policies or accounting estimates and judgements, the timing of transactions, the existence of any material unusual transactions or the potential effect on the financial statements of any uncertainties:
11. **Going concern:** The balance sheet at 31 March 2007 has an excess of liabilities over assets of £19,000 due to the accrual of pension liabilities in accordance with Financial Reporting Standard 17 (retirement benefits). The Joint Board has adopted a 'going concern' basis for the preparation of the

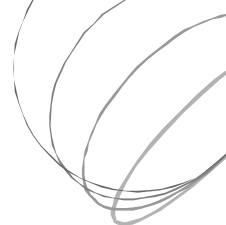


financial statements as the pension liabilities are based on long-term actuarial projections and do not require immediate funding other than through increased employers' contributions which are already built into the Joint Board's budgets and plans. I am satisfied, therefore, that the process which the Joint Board has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

Acknowledgements

12. I'd like to express my thanks to the staff of Highlands and Islands Transport Partnership for their help and assistance during the audit of this year's Accounts which has enabled me to certify the Accounts by the Controller of Audit's target date.

Robert W Clark FCCA
Senior Audit Manager



Appendix A

Proposed Independent Auditor's Report

Independent auditor's report to the members of Highlands and Islands Transport Partnership and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Highlands and Islands Transport Partnership for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the Joint Board's Balances, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes. 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 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, I 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

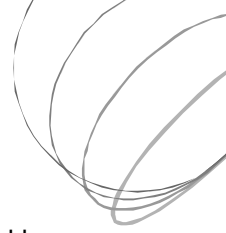
The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

My 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.

I report my opinion as to whether the financial statements present fairly the financial position of the Joint Board in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Joint Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the Joint Board's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the Joint Board's corporate governance procedures or its risk and control procedures.

I 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 the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



Basis of audit opinion

I conducted my 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. An 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 appropriate to the Joint Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the Joint Board as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Robert W Clark FCCA, Senior Audit Manager
Audit Scotland – Audit Services
Ballantyne House, 84 Academy Street
Inverness, IV1 1LU

31 August 2007