

# Highlands and Islands Transport Partnership

**Report to those charged with governance on the 2008/09 audit**

30 September 2009



 AUDIT SCOTLAND



# Highlands and Islands Transport Partnership

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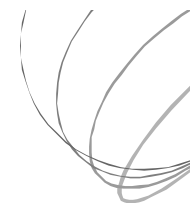
# Key messages

## Introduction

1. International Standard on Auditing 260 (ISA 260) *Communication of audit matters with 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 us 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;
  - management representations requested by us;
  - 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 Partnership's consideration the relevant matters arising from the audit of Highlands and Islands Transport Partnership's financial statements for 2008/09 that require reporting under ISA 260. The contents was brought to the attention of the Treasurer so that he can consider them before he signs the relevant pages of the financial statements. This report includes only those matters of governance interest that have come to my 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 report 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. My work on the financial statements is now complete though. Should any further relevant matters arise in concluding my work that requires to be reported under ISA260, I will bring these to the attention of the Treasurer.



## Matters to be reported to those charged with governance

### Conduct and scope 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 Annual Audit Plan submitted to management in January 2009 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in March 2007.

### Audit opinion and representations

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 financial statements.
8. The Partnership'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 Partnership's financial statements.
9. I have received the formal representations from the Treasurer that I require for my audit.

### Accounting and internal control systems

10. 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 financial statements.

### Matters arising

11. In my view, there are issues which require to be brought to your attention regarding the appropriateness of the Partnership's accounting policies or 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:
  - **Going concern:** The balance sheet at 31 March 2009 has an excess of liabilities over assets of £99k due to the accrual of pension liabilities in accordance with Financial Reporting Standard 17 (retirement benefits). The Partnership 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 Partnership's budgets and plans. I am satisfied, therefore, that the

process which the Partnership has undertaken to consider the organisation's ability to continue as a going concern is reasonable.



## Acknowledgements

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

**Mary Bowman CPFA**

Senior Audit Manager

30 September 2009





# 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 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the 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 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 relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP the financial position of the Partnership and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body 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 compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body'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. My 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 the Partnership'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

- Give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Highlands and Islands Transport Partnership as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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*30 September 2009*