



**ZetTrans**

Report to the Partnership and the Controller of Audit on the 2017/18  
audit

21<sup>st</sup> September 2018

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Partnership for the 2017/18 audit. The scope of our audit was set out within our planning report presented to the Committee on 22 February 2018.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the wider scope requirements of public sector audit. This includes our consideration of the Partnership's duty to secure best value. As set out in our plan, due to the relative size and scale of the functions delivered by the Partnership, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:
  - The appropriateness of the disclosures in **the governance statement**; and
  - The **financial sustainability** of the Partnership and the services that it delivers over the medium to longer term.

# Introduction (continued)

## The key messages in this report – financial statements audit

I would like to draw your attention to the key messages of this paper in relation to the audit of the financial statements:

### Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
  - recognition of grant income; and
  - management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 8.
- We have identified a no audit adjustments from our procedures to date.
- The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Partnership.
- Based on our audit work, we expect to issue an unmodified audit opinion.

### Insights

- We have utilised Spotlight, Deloitte's patented analytics tool, to perform analytics on the journal entries posted in the year to mitigate the risks of fraudulent activity.
- From review of the draft 2017/18 annual accounts, we have made various recommendations for improvement to management, discussed further on page 14.
- We have raised an insight in relation to accounting best practice. Debtors and creditors are to be netted off for the presentation of the balance sheet, as the amounts both wholly relate to the Shetland Islands Council. See page 11.
- Other insights obtained through our audit work have been collated into an action plan for improvement on page 24.

### Status of the audit

- The audit is substantially complete subject to the completion of the following principal matters:
  - finalisation of our internal quality control procedures;
  - receipt of signed management representation letter; and
  - our review of events since 31 March 2018.

# Introduction (continued)

## The key messages in this report – wider scope

The following sets out the key messages of this paper in relation to the wider scope work:

### Financial sustainability

The Partnership met all of its financial targets in 2017/18 as summarised below. Moreover, the Partnership's draft budget for 2018/19 is projecting income and expenditure of £3,986k, which is a £1,176k increase from the prior year. This is predominantly linked to the Partnership assuming responsibility for air services and some ferry services, which were not included in 2017/18. The assumption of these responsibilities by the Partnership is to bring the budget in line with the Transfer of functions to the Shetland Transport Partnership Order 2006.

<p>The total outturn for <b>2017/18</b> was <b>£2,083k</b>, which matched exactly the funding received from the Scottish Government and SIC. ZetTrans reported an underspend in the year of <b>£14k</b> compared to budget, which was linked to an overspend in policy, strategy and projects, offset by a greater underspend in bus operations.</p>	<p>A balanced budget for <b>2018/19</b> was approved in February 2018. This included an increase in both income and expenditure of <b>£1,176k</b> to <b>£3,986k</b>. This is to encompass both air and ferry services in line with the 2006 Order.</p>	<p>Effective short term budgeting is in place to assess ongoing risk of under/overspend.</p> <p>The SIC are statutorily obliged to fund the Partnership under Section 3 of the Transport (Scotland) Act 2005, therefore the main financial objective of ZetTrans is to deliver against its annual approved budget.</p>	<p>Management accounts are prepared and reviewed monthly, and discussed at Partnership meetings quarterly, where any outturn variances against budgets are investigated.</p> <p>An approved 2018/19 budget is in place, which now includes both air and ferry services. As the financial position for the SIC becomes more challenging, it is important the ZetTrans also looks to the medium-longer term to identify any funding gaps and efficiency savings required.</p>
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### Governance statement

We have confirmed that the Partnership's governance statement is in compliance with the required guidance (Regulation 5 of the Accounts Regulation) and is consistent with our knowledge gained during the audit. We are not aware of any significant events between 31 March 2018 and date of authorisation which have not been included in the governance statement. We have confirmed that appropriate disclosure has been made in relation to the ongoing governance review which is expected to clarify and fully describe ZetTrans' functional responsibilities regarding the Shetland Islands Council. The outcome of this work will be followed up as part of our 2018/19 audit work.

**Pat Kenny**  
Audit Director

# Our audit explained

## Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions:

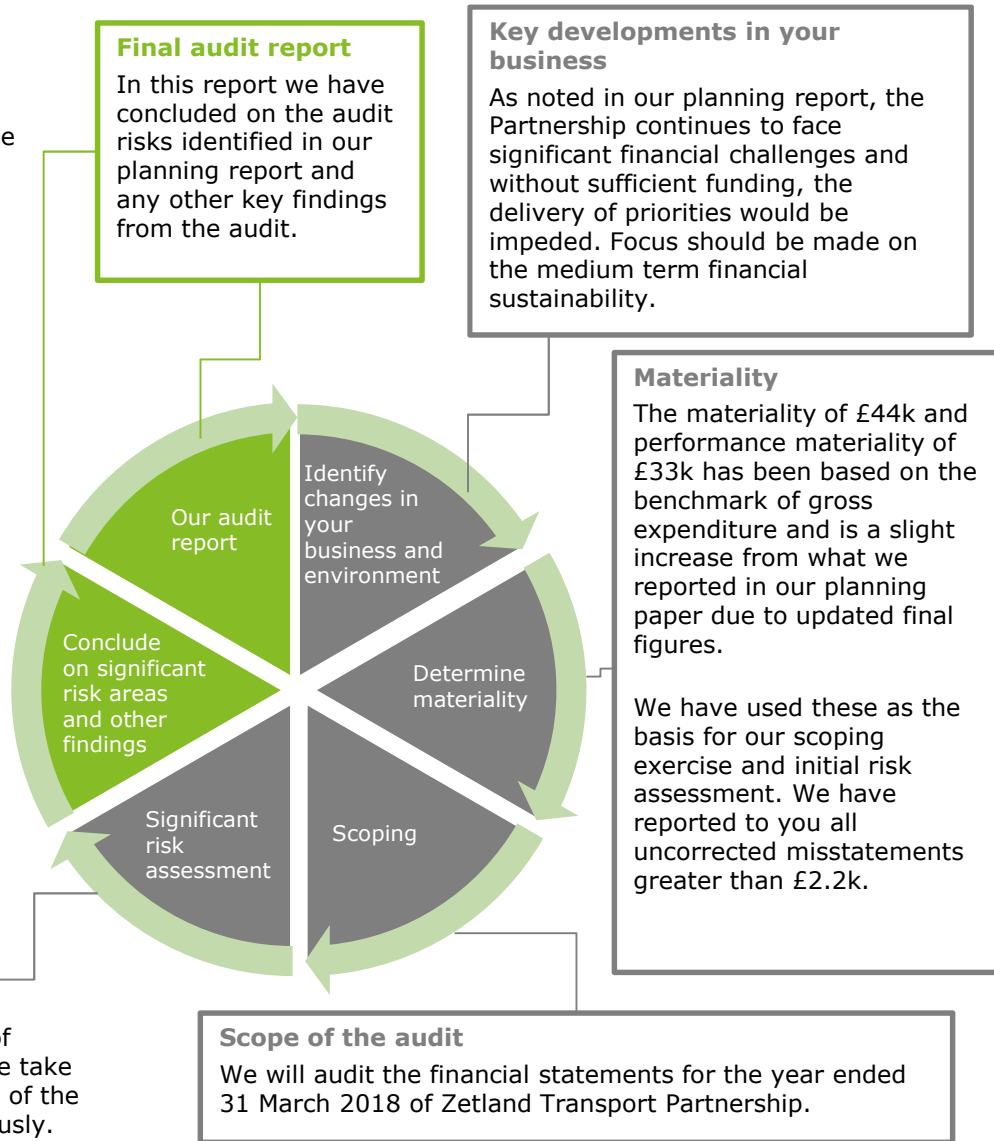
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

## Significant risks

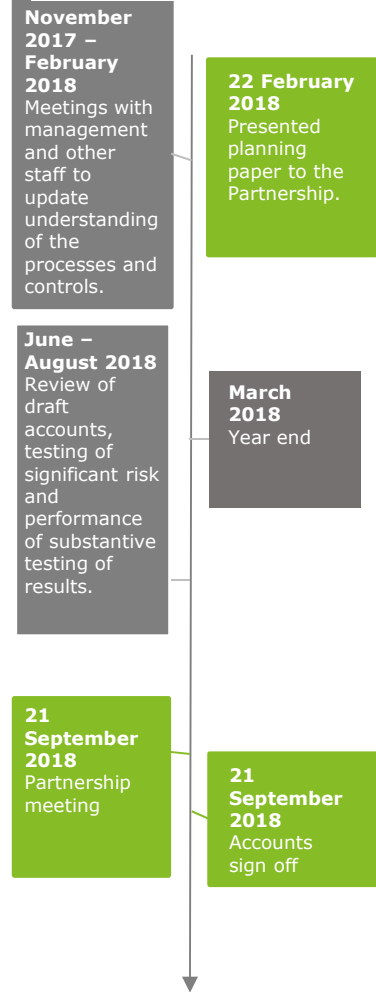
Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

## Quality and Independence

We confirm we are independent of Zetland Transport Partnership. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.









## Timeline 2017/18



# Financial statements audit



# Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Completeness and accuracy of income			D+I	Satisfactory		No issues noted with the design or implementation of this control	9
Management override of controls			D+I	Satisfactory		No issues noted with the design or implementation of this control.	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

**D+I:** Testing of the design and implementation of key controls



# Significant risks (continued)

## Risk 1 - Recognition of grant income

### Risk identified

International Standards on Auditing (ISA) 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The main components of income for the Partnership are grants received from SIC and the Scottish Government. The SIC income is a deficit funding arrangement, with the main variable affecting the ZetTrans financial shortfall being fare income. The significant risk is pinpointed to the completeness and accuracy of this income given the reliance of the Partnership on it and the high volume of transactions involved. In the current year, we have completed our design and implementation over controls around income, and have not identified any issues.



### Key judgements and our challenge of them

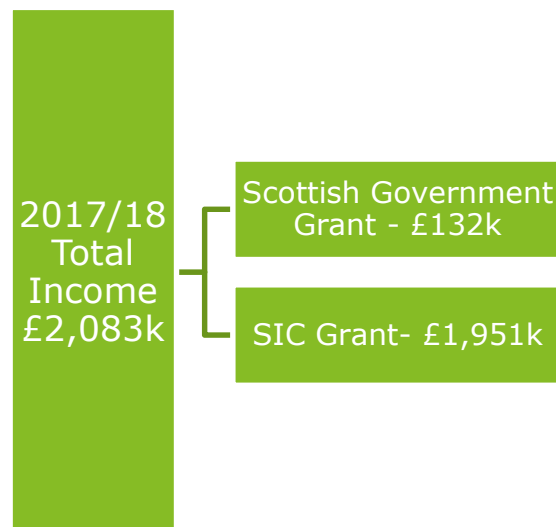
There is significant management judgement around determining if there are any conditions attached to a grant and if so whether the conditions have been met. The complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.



### Deloitte response

We have performed the following:

- Tested income to ensure that the correct contributions have been input and received in accordance with that agreed as part of the budget process, as well as the income matching the expenditure incurred in accordance with the Act; and
- Confirmed the management accounts have been reviewed on a regular basis monitoring expenditure and matched income



### Deloitte view

We have concluded that income has been recognised correctly in accordance of the requirements of the Local Authority Code of Audit Practice

# Significant risks (continued)

## Risk 2 - Management override of controls

### Risk identified

In accordance with ISA 240 management override is a significant risk. This is a presumed risk which cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present transactions inaccurately, or even fraudulent financial reports.



### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- Budgeted against actual income and expenditure was monitored closely throughout the year.
- Remuneration of senior management is not linked to performance of the Partnership.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### Deloitte view

- We have not identified any significant bias in the key judgements made by management.
- The control environment is appropriate for the size and complexity of the Partnership.

### Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest.

### Accounting estimates

Due to the nature of ZetTrans' operations and interaction with SIC who are required to fund all expenditure incurred, there are very few accounting estimates processed by ZetTrans and therefore the risk of management override is low.

### Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

# Other significant findings

## Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

### **Qualitative aspects of your accounting practices:**

There has been a change in accounting policy during the year. Previously, ZetTrans would report an identical debtor and creditor owing from and to Shetland Islands Council, equating to the financial shortfall as at the year end.

This was highlighted as being an accounting policy which did not comply with good practice following review. We recommended that the accounting policy should be updated in the current year and we highlighted this to management prior to the year end.

In light of this, management have reviewed and amended the accounting policy so that amounts owing to/from the Council which are by design and practice settled on a net basis are not disclosed separately as debtors and creditors in the accounts. Only amounts which are owing to/from the Council or other bodies and for which there is no right of offset are included as debtors/creditors as at the year end. We are satisfied that the updated accounting policy is in line with best practice.

We will obtain written representations from the Partnership on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.



# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. The revisions to ISA (UK) 700 have changed the form and content of audit report, including how different sections are presented.



### **Our opinion on the financial statements**

Our opinion on the financial statements is unmodified.



### **Material uncertainty related to going concern**

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 13.



# Your annual accounts

We welcome this opportunity to set out for the Partnership our observations on the annual accounts. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance. No exceptions noted. We would, however, highlight that greater use could be made of graphs and charts to make the report more user friendly.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading</p> <p>We have made a number of recommendations for changes to the annual accounts in line with good practice. We have included elements of good practice for your consideration at page 14.</p>
Remuneration Report	No remuneration report has been prepared as ZetTrans has no employees and the remuneration of the Chair and Vice Chair of the Partnership is disclosed in the annual accounts of Shetland Islands Council. No additional remuneration is paid to officers or members for acting on behalf of the Partnership.	We have confirmed that this is in accordance with the statutory guidance and our understanding of the Partnership. We have also confirmed that these facts have been disclosed in the Management Commentary.
Annual Governance Statement	The Annual Governance Statement reports that Shetland Islands Council governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

# Your annual report (continued)

Audit Scotland has issued a series of Good Practice notes to highlight where annual reports can be improved. Although not specific to transport partnerships, we would encourage ZetTrans to use the findings to assess and enhance their own disclosures to ensure they provide high quality information to stakeholders in their annual accounts.

We have provided below some extracts which should be considered by the Partnership in drafting future annual reports.

## **Management commentary**

The following areas for improvement were identified when reviewing the Partnership's annual report:

- Explain the Partnership's objectives, the strategy for achieving these (including current performance, position and future prospects);
- Set out how the Partnership generates and preserves value over the longer term;
- Include KPIs and explain performance against these in the year and whether they have been achieved or not;
- The key risks facing the Partnership should be specific and tailored to the Partnership and genuinely be the principal risks/uncertainties that the Partnership is concerned about;
- The annual report should be reviewed in its entirety to identify areas where tabular, graphical or pictorial information (supported by narrative) may improve the accessibility of the document;
- Consider whether the Partnership should provide details of the new responsibilities assumed for ferry and air travel.
- The Partnership should consider if the use of case studies would enhance the general public's understanding of the work carried out by the Partnership.

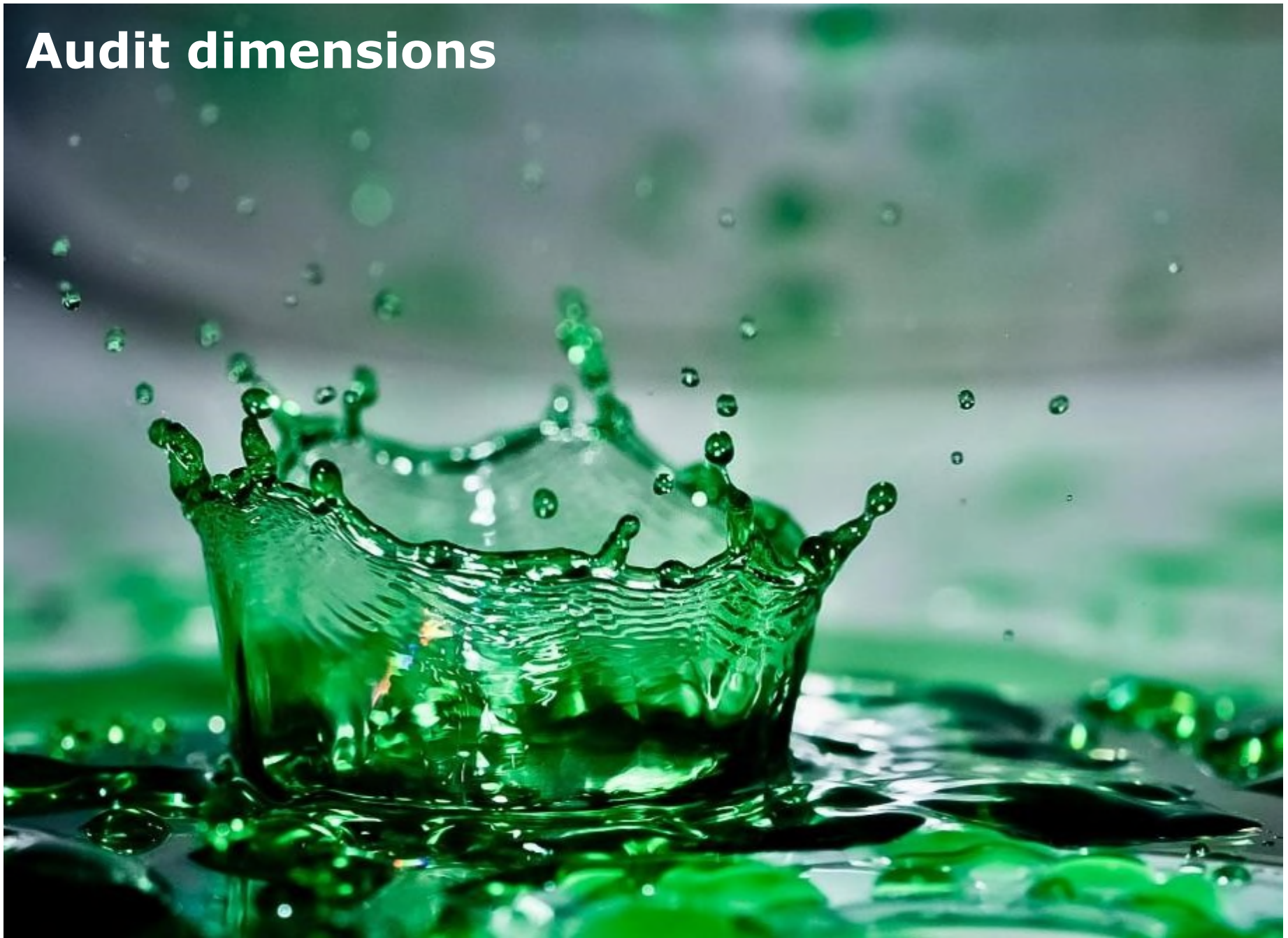
## **Governance statement**

The following areas for improvement were identified when reviewing the Partnership's annual report:

- An action plan should be included which outlines key issues arising in the year, what is to be done, by whom, and timescale for completion;
- Consider whether reporting under two operating segments is sufficient to allow the Partnership to meet its objectives and confirm that this is really how results are communicated to the Partnership;
- The annual governance statement should follow up on any issues from previous years;
- Critical judgements and major sources of estimation uncertainty should be reviewed to ensure they are tailored to the Partnership and further explained in the commentary (rather than just disclosed in the notes);
- Significant governance issues should be given sufficient weight in the governance statement, with their impact explained and any mitigating actions outlined.

A list of comments for improvement, including the above, have been provided to management at the Partnership with a recommendation that these be amended in the annual accounts. The majority of these have been actioned in the current year, with a minority carried forward for consideration in 2018/19. We are satisfied that the annual accounts are CIPFA Code compliant and fair, balanced and understandable.

# Audit dimensions



# Wider scope audit work

## Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following area. As set out in our plan, due to the relative size and scale of the functions delivered by ZetTrans, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the **governance statement**; and
- The **financial sustainability** of the Partnership and the services that it delivers over the medium to longer term.

Our report is structured in accordance with these two specific areas, but also covers our specific audit requirements on best value and specific risks as summarised below.

### **Best Value (BV)**

It is the duty of the Partnership to secure BV as prescribed in the Local Government (Scotland) Act 1973.

We have considered the Partnership's duty to secure BV as part of the governance arrangements considered as part of the audit dimensions work.

### **Specific risks (SR)**

As set out in our Annual Audit Plan, Audit Scotland had identified a number of significant risks (SRs) faced by the public sector which we have considered as part of our work on the wider audit dimensions.

- SR 1** – EU Withdrawal
- SR 2** – New Financial Powers
- SR 3** – Ending public sector pay cap
- SR 4** – Cyber security risk
- SR 5** – Openness and transparency



# Wider scope audit work (continued)

## Governance statement

### Audit dimension

As part of the annual audit of the financial statements, we have consider the appropriateness of the disclosures in the governance statement.

### Areas considered



- The completeness of the disclosures in meeting requirements of the essential features, as specified in the good governance framework.
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.
- Accountable officers' duty to secure Best Value

### Deloitte response



In the year, there were no notable changes in either Partnership members or in the senior leadership team of ZetTrans.

We have confirmed that appropriate disclosure has been made in relation to the governance review, which has the main purpose of clarifying and fully describing the close working relationship with the Shetland Islands Council. An early outcome of the review was better understanding of the functional responsibility for the delivery of public transport services, and the responsibility of the air services and certain ferry services also lay with ZetTrans. The overall conclusions of this work are expected in autumn 2018. This will be followed up as part of our 2018/19 audit work.

No inconsistencies have been noted in relation to the disclosures or between the disclosures and our audit work.

### Deloitte view

The governance statement meets the requirements of the good governance framework and no inconsistencies have been noted between the disclosures and our knowledge gained during the audit.

Having reviewed the processes in place at ZetTrans, and having identified no issues during our audit testing, we are satisfied that there are appropriate arrangements in place for securing best value.

# Audit dimensions (continued)

## Financial sustainability

### Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Areas considered



- The financial planning systems in place across the shorter and longer terms.
- The arrangements to address any identified funding gaps.
- The affordability and effectiveness of funding and investment decisions made.

### Deloitte view

Effective short-term planning is in place with management accounts being prepared on a monthly basis and quarterly accounts being presented to the Partnership for review and feedback. This identifies any expenditure variances which are then discussed at Partnership meetings. The budget for the following financial year has been approved and funding has been allocated by the SIC.

There is no immediate requirement for a financial recovery plan as all the expenditure in the year is covered by the Council, with any financial challenges arising being applicable to the SIC.

As SIC is statutorily obliged to fund the Partnership under Section 3 of the Transport (Scotland) Act 2005, the main financial objective of ZetTrans is to deliver against its annual approved budget and no longer term plans are in place.

However, in the current year it was noted that there were increasing discussions around a medium term financial plan. We recommend that these discussions continue, as a medium term financial plan would increase the focus for ZetTrans and allow them to have a plan tailored to their needs.

### Deloitte response



We have monitored the Partnership's actions in respect of its short, medium and longer term financial plans to assess whether financial balance can be achieved.

#### Short-term

The approved funding budget for 2018/19 is £3,986k, which is comprised of £230k for core funding and the implementation of Regional Transport Strategy, and £3,756k is scheduled Passenger Transport Services in Shetland. The budget for Public Bus Service expenditure has decreased by £72k in line with decrease in the RPI for 2017/18, and savings achieved on the previously contracted out Westside Mainline until September 2017. Contracted out services are more expensive, so savings have been made from September 2017 to present.

The increased budget in the current year is in relating to including both Air and Ferry services. This is to bring the budget in line with the Transfer of Functions to the Shetland Transport Partnership Order 2006.

Deloitte are satisfied that the overall budget spend is unlikely to be exceeded in the year, given the proposed budget and historical results. As well as this, any funding gaps will be funded by SIC in accordance with the Transport (Scotland) Act 2005.

#### Medium-term

Management have confirmed that due to the size and nature of ZetTrans and its operation, there is currently no medium to long term financial plan in place.

# Wider scope audit work (continued)

## Specific risks

In accordance with our Audit Plan, we have considered the specific risks identified by Audit Scotland as part of our audit as follows:

Risk identified	Response
<b>EU Withdrawal</b>	<p>The UK is expected to leave the European Union (EU) on 29 March 2019, followed by a transition period to the end of 2020. There are still a lot of uncertainties surrounding the terms of the withdrawal agreement but the outcome will inevitably have significant implications for devolved governments in Scotland and for Scottish public sector bodies.</p> <p>Given the scale of the potential implications and possible timescales for implementing changes, it is critical that public sector bodies are working to understand, assess and prepare for the impact on their organisation. This is likely to include consideration of three areas:</p> <p><b>Workforce:</b> the extent to which potential changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.</p> <p><b>Funding:</b> the extent to which potential changes to funding flows including amounts anticipated under existing EU funding programmes, are likely to affect the finances of the organisation and the activity that such funding supports.</p> <p><b>Regulation:</b> the extent to which potential changes to regulation across a broad range of areas currently overseen at an EU level are likely to affect the activity of the organisation.</p> <p>ZetTrans do not directly employ any staff, as SIC source staff on their behalf. However, they will remain alert of this issue.</p>
<b>New financial powers</b>	<p>The Scottish Parliament's new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public financials. The Scottish Government will publish its medium-term financial strategy in 2018 in response to recommendations in the Budget Process Review Group final report, and has made a number of other commitments to improve financial management and help Parliamentary scrutiny of decisions.</p> <p>As a result of this, there is an expectation that public bodies will be seen before subject committees of the Parliament more often. ZetTrans should therefore use this as an opportunity to make comment within their annual reports beyond the compliance requirements to clearly articulate their achievements against outcomes and future plans.</p>
<b>Ending public sector pay cap</b>	<p>ZetTrans do not employ any staff directly – as such, this is not expected to have an impact.</p>

# Wider scope audit work (continued)

## Specific risks (specific risks)

Risk identified	Response
<p><b>Cyber security risk</b></p>	<p>ZetTrans' ICT and cyber security are actioned by the Council on the Partnership's behalf. We have noted from our work on the Council that the processes in place are appropriately robust.</p> <p>There is no specific cyber policy/strategy in place, but there is an ICT Security Policy which all staff agree to abide by. This is regularly updated and covers areas such as password security and other good practice measures.</p> <p>Cyber attack is recorded as a risk at Chief Executive level. Fortnightly, Security Review Teams consider security issues as they arise, and the IT Management Board decides on issues which cannot be resolved at Executive Manager level.</p> <p>There is no specific person in the leadership team assigned to cyber security, but the Partnership have recently adopted the Scottish Government plan for recovery and are due to test it before the end of the year.</p> <p>ZetTrans have considered, to some extent, the cyber security within its supply chain partners, as they have data processing agreements with suppliers where appropriate, and ask for software to run on supported versions of hardware and software.</p>
<p><b>Openness and transparency</b></p>	<p>From our audit work, we are satisfied that ZetTrans is appropriately open and transparent in its operations and decision making. All agendas, meetings and management accounts are published online.</p>

# Appendices



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Partnership discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Partnership.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated separately.

This report has been prepared for the Partnership, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



for and on behalf of Deloitte LLP  
Glasgow

30 August 2018

# Audit adjustments

## Corrected misstatements

- No corrected misstatements have been identified from our audit work performed

## Uncorrected misstatements

- No uncorrected misstatements have been identified from our audit work performed

## Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

A verbal update will be provided to the Partnership if anything arises from any outstanding work before the financial statements are signed.

# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Accounting Best Practice	We recommend that ZetTrans review the best practice guidelines and update their accounts moving forward to ensure they reflect these.	<p>Changes in accounting policies have been made as required.</p> <p>Comments surrounding best practice with regards to presentation of the annual accounts has been considered in the current year and will be considered further going forward.</p>	Proper Officer for Finance	Dec 18	High
Financial Sustainability	We recommend that ZetTrans develop and implement a medium term financial plan, specifically tailored to their needs.	<p>Due to the size and nature of ZetTrans and its operations, there is currently no requirement for a medium/long term financial strategy.</p> <p>However, it is possible that certain events such as failure to review bus contracts, or an inability of local bus operators to fulfil routes due to bankruptcy, could raise challenges to ZetTrans.</p> <p>Given this, there are current discussions around creating a MTFP specifically for ZetTrans.</p>	Proper Officer for Finance	Dec 18	Medium



# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### Required representations:

We have asked the Partnership to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

We have also asked the Partnership to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### Audit work performed:

In our planning we identified the risk of fraud in complying with recognition of grant income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management, internal audit and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the Partnership on the process for identifying, evaluating and managing the system of internal financial control.

### Concerns:

No concerns have been identified regarding fraud.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), we are required to report to you on the matters listed below:

<b>Independence confirmation</b>	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
<b>Fees</b>	<p>The audit fee for 2017/18 is £9,913 as detailed in our Audit Plan.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



# Events and publications

## Our publications and insights to support the Partnership

### Publications

#### **The State of the State 2017-18**

Citizens, government and business

This year's report finds the UK government amid the complex challenge of leaving the EU. Inevitably, this early phase of EU exit is taking place under intense media scrutiny and passionate political debate. But while EU exit issues may dominate headlines, the public services face more local challenges as they address rising demand, budget restraint and renewed levels of concern about social inequality.

The State of the State 2017-18 explores government through three lenses – the citizen lens, the public sector lens and the business lens.

Download a copy of our publication here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/state-of-the-state.html>



#### **Sharing our informed perspective**

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

#### **Perspectives: Do you have a digital mindset?**

##### **Accelerating health and care integration**

Digital technology is helping to transform the way citizens interact with service providers across all other service industries. The time is now ripe for changing the relationship between health and social care commissioners and providers and service users.

Read the full blog here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/do-you-have-a-digital-mindset.html>

#### **Article: Public sector transformation**

##### **Five lessons from the private sector**

An analysis of private sector global companies, including high-tech start-ups, manufacturers, banks, retailers and insurance firms, reveal five valuable lessons for the public sector.

Read the full article here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-transformation.html>



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