

Zetland Transport Partnership

Report to the Members of the Partnership and the Controller of Audit on the 2021/22 audit

Issued on 21 September 2022 for the meeting on 29 September 2022

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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 Annual Accounts.
- 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 Zetland Transport Partnership (“ZetTrans”, “the Partnership”) for the year ending 31 March 2022 audit. The scope of our audit was set out within our planning report presented to the Partnership in February 2022.

This report summarises our findings and conclusions in relation to:

- The audit of the **annual accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
 - The appropriateness of the disclosures in **the annual governance statement**; and
 - The **financial sustainability** of the Partnership and the services that it delivers over the medium to longer term.

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the annual accounts and our knowledge of the Partnership. No Remuneration Report is included within the Annual Accounts as ZetTrans has no employees and pays no remuneration. The remuneration of the Chair and the Vice Chair of the Partnership is appropriately disclosed in the Annual Accounts of Shetland Islands Council.

A summary of our work on the significant risks is provided in the dashboard on page 8.

We have not identified any misstatements above our reporting threshold.

Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Status of the Annual Accounts audit

Outstanding matters to conclude the audit include:

- Receipt of final annual accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2022.

Conclusions on audit dimensions

Governance statement – The disclosures are appropriate and has been prepared in accordance with the Delivering Good Governance in Local Governance: Framework (2016). We have suggested some minor improvements to management.

Financial sustainability – ZetTrans achieved a balanced budget in 2021/22 and has approved a balanced budget for 2022/23, therefore is financially sustainable in the short term. However, the continued lack of a medium term financial plan means that the Partnership is unable to demonstrate that it is financially sustainable in the medium term. The lack of any performance reporting since 2018/19 is also a significant issue as the Partnership is unable to demonstrate that it is meeting its objectives and using resources effectively. It is therefore unable to demonstrate that it has sufficient arrangements in place to achieve Best Value.

Our detailed findings and conclusions are included on pages 15 to 18 of this report.

Next steps

An agreed Action Plan is included on pages 24 to 26 of this report, including a follow-up of progress against prior year actions.

Added value

Our aim is to add value to the Partnership by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Partnership promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our “sector developments” on pages 21 to 22 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the Partnership.

Managing transition to 2022/23 audits

2021/22 is the final year of the current audit appointments. We will minimise disruption to all parties, and maximise the transfer of knowledge of the Partnership, by working in partnership with Audit Scotland and the incoming auditors.

We would like to put on record our thanks to the Partnership, management and staff for the good working relationship over the period of our appointment.

Pat Kenny
Associate Partner

Annual Accounts Audit



Quality Indicators

Impact on the execution of our audit

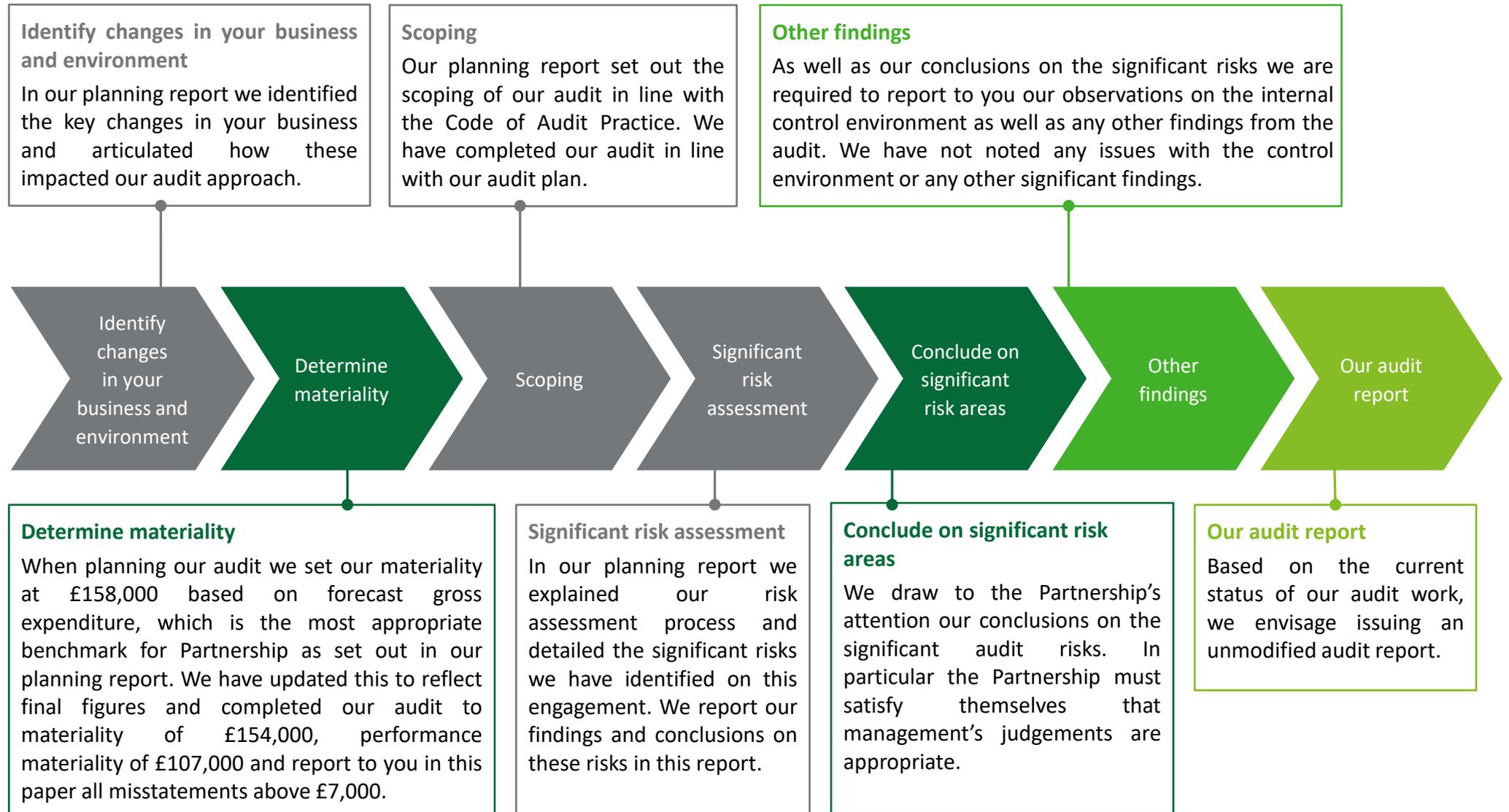
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading			Reason
	FY22	FY21	FY20	
Adherence to deliverables timetable				Management provided all evidence in a timely manner. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel				Deloitte and ZetTrans have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel.
Quality and accuracy of management accounting papers				Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Accounts. This is borne out by the resubmission rate on requests for the audit being low, at 5%.
Quality of draft financial statements				A full draft of the Annual Accounts was received for audit on 30 June 2022. We identified some areas for improvement as set out on page 13.
Response to control deficiencies identified				We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors				We have not identified any financial or disclosure adjustments to date.

 Lagging
  Developing
  Mature

Our Audit Explained

We tailor our audit to your business and your strategy



Significant Risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Management override of controls			D+I	Satisfactory		Satisfactory	9
Operating within the approved budget			D+I	Satisfactory		Satisfactory	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)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- 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;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. We have not identified any significant accounting estimates and judgements from our testing; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

Significant and unusual transactions

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

Deloitte view

We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

Significant Risks (continued)

Operating within the approved budget



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for the Partnership as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Shetland Islands Council which can be agreed to confirmations supplied. Furthermore, from previous years' audits, we have established that there are robust processes and controls in place to reconcile bus fare income, and we have not identified any errors relating to income in previous audits.

We therefore consider the fraud risk to be focused on how management operate within the approved budget set at the beginning of the year and the agreed contributions from Shetland Islands Council. There is a risk that the Partnership could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.



Deloitte response and challenge

We have performed the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance;
- Obtained independent confirmation of the agreed contributions from Shetland Islands Council;
- Performed focused testing of accruals made at the year-end. No prepayments have been included in the Annual Accounts; and
- Performed focused cut-off testing of invoices received and paid around the year-end.

Deloitte view

We identified no issues through the testing performed.

We have concluded that expenditure has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Other Significant Findings

Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

ZetTrans has prepared its Annual Accounts in line with the Code of Practice on Local Authority Accounting. We are satisfied that ZetTrans' accounting practices are appropriate.

Significant matters discussed with management:

No significant matters have been identified which required discussion.

Other matters relevant to financial reporting:

Through our testing we identified income recognised for which no supporting documentation was available, other than the income coming into the bank account. Whilst the impact is not material to the Annual Accounts, we recommend that supporting documentation be requested for any amounts of income received by the Partnership to ensure this is accurately recognised.

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

We will obtain written representations from the Partnership on matters material to the Annual Accounts 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.



Our opinion on the Annual Accounts

Based on our audit work completed to date, we expect to issue an unmodified audit opinion.



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.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the Annual Accounts 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 narrative parts of the Annual Accounts is reviewed in its entirety for material consistency with the annual accounts 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 as discussed further on page 13.

Your Annual Report

We are required to provide an opinion on the auditable parts of the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The management commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Partnership also focuses on the strategic planning context.	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance.</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>Following amendments for minor improvements in the final version of the annual accounts, we are satisfied that the management commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p>
Annual Governance Statement	The Annual Governance Statement reports that the Partnership governance arrangements provide assurance, are adequate and are operating effectively.	<p>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 Delivering Good Governance in Local Government Framework.</p> <p>We requested management to make minor changes and in particular to specifically disclose the internal audit opinion for the year, ZetTrans' response to the significant governance issue identified by the Council's internal audit function, and further detail about the review of the Council's governance arrangements. These changes have been made in the updated version of the Annual Accounts therefore, we can conclude that the Annual Governance Statement is consistent with the financial statements, our knowledge and the accounts regulations.</p>

Audit Dimensions



Audit Dimensions

Overview

As set out in our Audit Plan, the Code of Audit Practice sets out four **audit dimensions** that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.



In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our Audit Plan has not changed. Our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the annual governance statement (which is discussed on page 13) and
- The financial sustainability of ZetTrans and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

In addition to the above, we have reviewed ZetTrans’ arrangements for the prevention and detection of fraud and irregularities. Overall we found ZetTrans’ arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Financial Sustainability



Short term financial planning

The 2021/22 budget of £4.478m was approved by the Partnership on 24 March 2021. It has been updated throughout the year to include in-year movements and a balanced year-end outturn position was achieved as reported in the Annual Accounts. The Partnership regularly review progress against budget throughout the year. From review of the reporting throughout the year, variances are clearly reported and explained.

The 2022/23 budget of £4.398m was approved by the Partnership on 17 February 2022, being a balanced budget. £4.094m is budgeted for scheduled passenger transport services and the remaining £0.304m for core running costs.

The significant variances in the 2022/23 budget compared to the 2021/22 budget include an estimated 2.44% indexation uplift on bus service contracts as well as the removal of the one-off external consultancy budget relating to the Regional Transport Strategy document refresh. The key risks identified in the budget include not achieving public transport fare income and Shetland Islands Council (SIC) being unable to provide additional resources required should ZetTrans exceed its budget for 2022/23.

In our 2020/21 report, we highlighted that ZetTrans placed reliance on additional contributions from SIC to achieve a balanced year-end position. We are pleased to note that this has not recurred in 2021/22, with the actual contributions from SIC being £37,000 less than initially budgeted.

Based on the above, we are satisfied that ZetTrans can achieve short term financial balance.

Medium-to long-term financial planning

We have continued to highlight the lack of a Medium-Term Financial Plan and Workforce Plan since first raised as a recommendation in our 2018/19 report. No progress has been made with this during 2021/22. There therefore remains a risk that robust medium to long term planning arrangements, including those for the workforce, are not in place and that ZetTrans has not quantified any funding gaps which need to be addressed over the medium term. This leaves the body at risk of being unable to manage its finances sustainably and deliver services effectively, reducing the Partnership's ability to identify issues early and respond to these promptly.

While we recognise ZetTrans plans to publish a MTFP following a review into future public transport fares in 2022/23, we reinforce the importance of this given that ZetTrans' solitary funding partner (SIC) finds itself in a financially unsustainable position.

Financial Sustainability (continued)

Effective investment

From the disclosures within the Management Commentary within the Annual Accounts, the KPI information, as adopted by the Partnership in 2016, has not been updated since 2018/19. It has also not produced an Annual Report setting out its performance since 2018/19. While the Partnership has cited COVID-19 as the reason for this due to staff being unable to prioritise this work, this is a significant amount of time where no information is available on the Partnerships performance. We would expect, as a minimum, alternative arrangements to be put in place to ensure that the Partnership is able to demonstrate that resources are being used effectively and meeting its core objectives.

Based on the above, we are unable to conclude that ZetTrans are achieving its objectives as set out within its Strategic Plan. This significant issue has been appropriately disclosed within the Governance Statement.

Deloitte view – Financial sustainability

ZetTrans achieved a balanced budget in 2021/22 and has approved a balanced budget for 2022/23, therefore is financial sustainable in the short term. However, the continued lack of a medium term financial plan means that the Partnership is unable to demonstrate that it is financially sustainable in the medium term. The lack of any performance reporting since 2018/19 is also a significant issue as the Partnership is also unable to demonstrate that it is meeting its objectives and using resources effectively. This needs to be addressed as a matter of urgency.

Best Value

It is the duty of the Partnership to secure **Best Value** as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the Partnership have made proper arrangements for securing Best Value.

Duty to secure Best Value

1. It is the duty of the Partnership to make arrangements which secure Best Value
2. Best Value is continuous improvement in the performance of the Partnership's functions
3. In securing Best Value, the Partnership shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions
 - b) The cost to the Partnership of that performance
 - c) The cost to persons of any service provided by the Partnership for them on a wholly or partly rechargeable basis
4. In maintaining that balance, the Partnership shall have regard to:
 - a) Efficiency
 - b) Effectiveness
 - c) Economy
 - d) The need to make the equal opportunity requirements
5. The Partnership shall discharge its duties in a way that contributes to the achievement of sustainable development
6. In measuring the improvement of the performance of the Partnership's functions, regard shall be had to the extent to which the outcomes of that performance have improved

As discussed elsewhere within this report, the continued lack of a medium term financial plan means that the Partnership is unable to demonstrate that it is financially sustainable in the medium term.

The lack of any performance reporting since 2018/19 is also a significant issue as the Partnership is also unable to demonstrate that it is meeting its objectives and using resources effectively

Deloitte view – Best Value

The Partnership is currently unable to demonstrate that it has sufficient arrangements in place to achieve Best Value do to the lack of monitoring in place. This needs to be addressed as a matter of urgency.

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 its governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 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 Accounts;
- Our internal control observations; and
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the annual accounts.

We described the scope of our work in our audit plan.

Use of this report

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.

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 procedures performed in fulfilling our audit plan.

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



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 21 September 2022

Sector Developments



Local government in Scotland

Financial overview 2020/21

Background and overview

The Accounts Commission published its Local government in Scotland financial overview 2020/21 in March 2022. This covers the first full year that makes clear the impact of COVID-19. It also looks ahead to the medium-to-longer term financial outlooks for Councils. While specifically referring to Councils, a number of the key messages are equally relevant for ZetTrans as a local government body.

Key messages

Local government finances 2020/21

- The Covid-19 pandemic persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.
- When Covid-19 funding is excluded, there has been a real terms underlying reduction of 4.2 per cent in local government funding since 2013/14.
- The underlying increase in Scottish Government funding of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants. Ring-fenced funding helps support delivery of key Scottish Government policies but constrains a proportion of the total funding and resources and removes any local discretion over how councils can use these funds.
- Councils' income from customers and clients was affected by Covid-19 restrictions and fell by £0.5 billion.
- In 2020/21, all councils reported surpluses and increased their usable reserves. The total increase in reserves was £1.2 billion (46 per cent). This increase was mainly due to late Covid-19 funding, which was unspent at 31 March 2021.
- Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21, putting additional pressure on finance staff across councils.

Medium and longer-term outlook for local government finances

- Scottish Government capital funding to councils is expected to fall again in 2021/22.
 - Uncertainty over the amount of funding available for Covid-19 recovery at the end of 2020/21 led to difficulties in setting budgets, and many councils established updated Covid-19 budgets in autumn 2021.
 - Covid-19 resulted in revised medium term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.
-

Local government in Scotland (continued)

Financial overview 2020/21 (continued)

Key observations

Reserves – Most of the increase in the general fund is committed to Covid-19 recovery.

Financial management and transparency - Management commentaries in councils accounts have improved, but many are still not complying with previous recommendations on transparency

Budgets for 2021/22 - The uncertainty over the funding position for Covid-19 at the end of 2020/21 led to issues in budget setting and many councils established Covid-19 budgets in autumn 2021

Medium and long-term financial planning - Covid-19 resulted in revised medium term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

Audit Scotland Recommendations

Elements of Covid-19 funding that are being carried forward in general earmarked and unearmarked reserves in the accounts should be clearly identified.

We recommend again that councils review and improve how they comply with these key expectations of transparency, in particular:

- Is the outturn against budget position for the year clearly shown, and are the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements, and are major differences explained?
- Is progress against agreed savings reported?

We expect councils to agree spending plans and timescales for Covid-19 recovery reserves with the relevant decision making committee.

All councils will now need to revise medium term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions. Councils should also review longer-term planning as Covid-19 uncertainty diminishes.

Next steps

The Partnership should consider each of the above recommendations (where they equally apply to ZetTrans and Councils) and incorporate into plans where not already considered. The full report is available through the following link: [Local government in Scotland: Financial overview 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/local-government-in-scotland-financial-overview-2020-21)

Appendices



Action Plan

Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	<i>Performance Reporting</i>	The lack of any performance reporting since 2018/19 is a significant issue as the Partnership is unable to demonstrate that it is meeting its objectives and using resources effectively. We recommend that this be addressed as a matter of urgency.	Staffing resources have been diverted to other priorities since the pandemic meaning regular reporting on KPIs and production of the annual report has not happened. Consolidating and reducing the current number of KPI's so that smaller, and more manageable, yet meaningful KPI's are reported is a priority. A core set of KPI's will be presented to the Board. In addition a three-year report covering financial years 2019/20 to 2021/22 will be prepared.	Lead Officer	March 2023	High

Action Plan (continued)

Follow-up 2020/21 action plan

We have followed up the recommendations made in our 2020/21 annual report in relation to the wider scope areas and note that the following recommendation has not been fully implemented.

Area	Recommendation	Responsible person	Target Date	Priority	2021/22 Update
Financial Sustainability	The workforce plan currently being developed should consider the needs of the organisation and those of its workforce, ensuring it is sufficient to meet the objectives of the organisation.				Partially implemented: In December 2020, the SIC approved a new "Workforce Strategy 2021-26", setting out its key areas of priority required to meet its future workforce needs.
	Workforce planning provides a basis for understanding workforce behaviours, considering areas such as recruitment, promotion and turnover. Understanding these issues can allow the organisation to plan appropriately. Workforce planning is an ongoing process, and should be considered for appropriateness by the Partnership on an annual basis.	Executive Manager – September Human Resources	September 2022	High	Updated management response: As ZetTrans relies on SIC to provide staff to deliver its functions (because ZetTrans does not employ its own staff, nor does it second staff from another organisation) it is appropriate that ZetTrans' workforce development plan is aligned with the SIC's wider workforce development. ZetTrans progress on its workforce development therefore depends on the SIC prioritising and delivering on the next steps, action plans, following the approval of the workforce strategy. Work on the next steps are ongoing.
	Succession planning needs to be included in the Workforce Plan. This needs to include clear promotion opportunities within the organisation, effective delegation to staff, and tailored training plans to enable staff to carry out more senior roles.				Updated target date: September 2023

Action Plan (continued)

Follow-up 2019/20 action plan

We have followed up the recommendation made in our 2019/20 annual report in relation to the wider scope areas and note that the following recommendation has not been implemented.

Area	Recommendation	Responsible person	Target Date	Priority	2021/22 Update
<i>Financial Sustainability</i>	When developing it's MTFP, ZetTrans should make reference to the key principles of public service reform prevention, performance, partnership and people and how these key principles are reflected in ZetTrans' financial planning. There should be clear links to the Scottish Government MTFS, ZetTrans' strategy and outcomes.	Proper Officer for Finance	September 2022	High	<p>Not implemented: An MTFP has not been developed.</p> <p>Updated management response: The development of a MTFP for ZetTrans continues to be delayed. This was initially delayed to allow for the consideration of the outcome of the review of public transport fares. This review is ongoing. However, there are now wider issues across the Council in terms of medium/longer-term financial planning, identified in the recent BVAR, and which need to be addressed first instance in order that a meaningful MTFP can be developed for ZetTrans. Work on this is expected to commence in early 2023 and once Executive Manager - Finance/Proper Officer for Finance has been appointed.</p> <p>Updated Target date: December 2023</p>

Our Other Responsibilities Explained

Fraud responsibilities and representations



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 auditor, we obtain reasonable, but not absolute, assurance that the Annual Accounts 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 have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity.

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 relation to operating within the approved budget and management override of controls as a key audit risk for your organisation.

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

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

Deloitte view

No issues have been identified from our audit work.

Independence and Fees

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

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of ZetTrans and our objectivity is not compromised.

Fees

The audit fee for 2021/22, in line with the expected fee range provided by Audit Scotland, is £10,530, as analysed below:

	£
Auditor remuneration	9,090
Audit Scotland fixed charges:	
Pooled costs	950
Contribution to AS costs	490
Total fee	10,530

No non-audit services fees have been charged for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard 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.

Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its Partnership and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its Partnership 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.

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