

# nestrans

## **2009/2010 STATEMENT OF ACCOUNTS**

## STATEMENT OF ACCOUNTS 2009/10

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## **EXPLANATORY FOREWORD BY THE TREASURER**

### **INTRODUCTION**

The purpose of the annual Statement of Accounts is to demonstrate proper stewardship of the Transport Partnership's financial affairs. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

This foreword provides an explanation of the Statement of Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the year ended 31 March 2010.

### **FINANCIAL STATEMENTS**

#### **1. Income and Expenditure Account**

The Income and Expenditure Account brings together all of the functions of the Partnership and summarises all of the resources that the Partnership has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Partnership.

#### **2. Statement of Movement on the General Fund Balance**

This Statement shows the movement on the General Fund. It summarises the differences between the outturn on the Income & Expenditure Account and the expenditure chargeable against the contributions from the partner Authorities and other grant funders

#### **3. Statement of Total Recognised Gains and Losses**

The Statement of Total Recognised Gains and Losses is not presented in the financial statements since all gains and losses for the year will be shown in the Income and Expenditure Account. There are no changes in net assets in the year arising from revaluations, changes in actuarial assumptions or other factors which would not otherwise be presented in the Income and Expenditure Account.

#### **4. Balance Sheet**

This Statement brings together all the assets and liabilities of the Partnership, including balances and reserves, long-term indebtedness, and the fixed and current assets employed in its operations.

## **5. Cash Flow Statement**

The Cash Flow Statement provides the details of cash movements arising from both capital and revenue transactions for the financial year.

## **6. Statement on the System of Internal Financial Control**

This Statement acknowledges the responsibility for internal financial control and indicates the main features of the systems in use and the level of assurance that the system of internal control can provide.

## **FINANCIAL OUTTURN 2009/10**

In 2009/10 the Partnership budgeted to spend £4,353,000 on the provision of services and completion of works. Much of the work of Nestrans is delivered by partner organisations and through the work of consultants. The actual expenditure was more than budget at £4,559,008 due primarily to slippage in a number of projects from the 2008/09 programme being completed and charged in 2009/10. The income for the same period was £4,440,612 which is £87,613 more than was budgeted, and was due to un-budgeted investment and other income of £62,115 and additional Travel Plan related income of £25,498. This has resulted in an operating deficit of £118,396. This is funded from additional contributions from partner Councils.

## **ACKNOWLEDGEMENTS**

The production of the Statement of Accounts is very much a team effort involving many staff from both Councils and Nestrans itself. I would like to take this opportunity to thank all those involved for their help and cooperation.

Derek Yule BCom, CPFA, IRRV (Hons)  
Treasurer  
7 June 2010

## **STATEMENT OF ACCOUNTING POLICIES**

The Accounts are prepared using the historical cost accounting convention. The general policies adopted in preparing these Statements are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom 2009 issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). There are no significant departures from these recommendations.

### **1. Reserves and Provisions**

Reserves represent amounts set aside for specific policy purposes, contingencies or earmarked balances.

Provision can also be made for known liabilities that can only be estimated. Such liabilities, if any, would relate to losses on debts and loans due to the Partnership at 31 March 2010.

There are no Reserves or Provisions in these statements.

### **2. Grants**

Grants and subsidies received have been credited to the appropriate accounts and accruals have been made for balances known to be receivable for the period to 31 March 2010.

### **3. Interest Charges**

There has been no interest payable on external borrowings and interest income has been reflected in the Income & Expenditure account on an accruals basis.

### **4. Debtors and Creditors**

The Accounts are prepared on an accruals basis in accordance with the Code of Practice and FRS 18. Accordingly, best estimates of amounts due or payable that relate to activities during the year are included whether or not cash has actually been received or paid in the year.

### **5. Pension Costs**

Under the Aberdeen City Council Pension Fund the contribution rate required for Nestrans is set on a grouped basis, combining the experience of the employer with other employers also participating in the Fund. Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result Nestrans is unable to identify its relevant share of the underlying assets and liabilities in the Fund. These accounts have therefore been drawn up in accordance with FRS17 on the basis that the pension cost is accounted for as a Defined Contribution Scheme.

**6. Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

**7. Overheads and Support Services**

It is not considered appropriate to allocate overheads and support costs to operational activities. These costs are identified within the Core Costs of the Partnership.

**8. Financial Instruments**

The Loans and Receivables (Cash and Bank, Investments and Debtors) and Liabilities (Creditors) as shown in the Balance Sheet are all for less than 12 months and are measured at fair value and carried at amortised cost, which equates to actual cash value at 31 March 2010.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Partnership is required:**

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### **The Treasurer's responsibilities:**

The Treasurer is responsible for the preparation of the Statement of Accounts of the Partnership in accordance with proper practices as set out in the terms of the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2009 ("the Code"),

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with "the Code"

The Treasurer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I confirm that this Statement of Accounts gives a true and fair view of the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2010.

Derek Yule, BCom, CPFA, IRRV (Hons)  
Treasurer  
7 June 2010

## INCOME AND EXPENDITURE ACCOUNT

2008/09		2009/10
£		£
	<b>Expenditure</b>	
490,955	Core Costs (Note 1)	515,287
634,140	Regional Transport Strategy (Note 2)	765,323
65,285	Modern Transport Projects (Note 3)	0
<u>3,879,592</u>	General Projects (Note 4)	<u>3,278,398</u>
<b>5,069,972</b>	<b>Net Cost of Services</b>	<b>4,559,008</b>
<u>( 98,673)</u>	Interest	<u>( 9,534)</u>
<b>4,971,299</b>	<b>Net Operating Expenditure</b>	<b>4,549,474</b>
	<b>Income</b>	
( 150,000)	Aberdeen City Council Core Funding	( 142,500)
(150,000)	Aberdeenshire Council Core Funding	(142,500)
(300,000)	Scottish Government Core Funding	(300,000)
( 692,752)	Scottish Government Other Grant	( 620,000)
( 3,088,500)	Scottish Government – General projects	( 3,173,498)
( 47,250)	Other	( 52,580)
<u>( 4,428,502)</u>		<u>( 4,431,078)</u>
<u><b>542,797</b></u>	<b>Deficit for the Year</b>	<u><b>118,396</b></u>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09		2009/10
£		£
542,797	(Surplus)/Deficit for the year on the Income & Expenditure Account	118,396
( 542,797)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balances for the year (Note 10.1)	( 118,396)
<u>0</u>	Increase in General Fund Balance for the year	<u>0</u>
<u>0</u>	General Fund Balance brought forward	<u>0</u>
<u><b>0</b></u>	<b>General Fund Balance carried forward</b>	<u><b>0</b></u>

## BALANCE SHEET

As at 31 March 2009 £		As at 31 March 2010 £
	<b>Current Assets</b>	
1,423	Bank	5,092
50	Cash	50
3,702,481	Investments	1,065,637
418,756	Debtors (Note 9)	1,564,980
<u>4,122,710</u>		<u>2,635,759</u>
	<b>Current Liabilities</b>	
(4,122,710)	Creditors (Note 9)	( 2,635,759)
<u><u>0</u></u>	Net Current Assets	<u><u>0</u></u>
<u><u>0</u></u>	Represented by General Fund	<u><u>0</u></u>

The unaudited accounts were issued on 7 June 2010 and the audited accounts were authorised for issue on 31 August 2010.

Derek Yule, BCom, CPFA, IRRV (Hons)  
Treasurer  
7 June 2010

## CASH FLOW STATEMENT

2008/09 £	REVENUE ACTIVITIES	2009/10 £	2009/10 £
	<b>Cash Outflows</b>		
199,096	Cash paid to and on behalf of employees	332,765	
381,598	Other Operating cash payments	245,336	
397,442	Regional Transport Strategy costs	1,066,643	
294,549	Project related costs	74,130	
3,852,560	Major Projects from specific Grants	4,980,737	
5,125,245			6,699,611
	<b>Cash Inflows</b>		
(3,114,000)	Capital Projects Grant	(1,911,000)	
( 150,000)	Operating Costs Revenue Grant - Aberdeenshire Council	( 142,500)	
( 150,000)	Operating Costs Revenue Grant - Aberdeen City Council	( 142,500)	
( 300,000)	Operating Costs Revenue Grant - Scottish Government	( 300,000)	
( 62,724)	Travel Plan Staff Grant	( 109,426)	
( 620,000)	Regional Transport Strategy Grant	( 620,000)	
( 600,817)	Cash Received for Goods & Services	( 831,584)	
( 4,997,541)			( 4,057,010)
<b>127,704</b>	<b>Revenue Activities Net Cash Flow (Note 10.1)</b>		<b>2,642,601</b>
	<b>Returns on Investments and Servicing of Finance</b>		
	<b>Cash Inflows</b>		
( 98,673)	Interest Received		( 9,426)
<b>29,031</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>2,633,175</b>
	<b>Management of Liquid Resources</b>		
( 25,566)	Increase/ (Decrease) in Short Term Deposits		( 2,636,844)
<b>3,465</b>	<b>(Increase)/Decrease in Cash</b>		<b>( 3,669)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Financial Statements have been prepared using guidance contained within the Accounting Code of Practice (ACOP) and the Best Value Accounting Code of Practice (BVACOP). The presentation of the Income & Expenditure Account has not followed the generally accepted format as this has not lent itself to the structure of the activities of the organisation.

### Note 1 Core Costs

Costs incurred in respect of supporting the organisation are as follows:

<b>Actual (£)</b> <b>2008/09</b>		<b>Budget (£)</b> <b>2009/10</b>	<b>Actual (£)</b> <b>2009/10</b>
296,523	Partnership Office	371,800	363,988
96,271	Partner Support costs	95,100	82,242
0	Board Members expenses	2,100	0
98,161	Other Associated Costs	79,500	69,057
<b>490,955</b>	<b>Total</b>	<b>548,500</b>	<b>515,287</b>

### Note 2 Regional Transport Strategy

<b>Actual (£)</b> <b>2008/09</b>		<b>Budget (£)</b> <b>2009/10</b>	<b>Actual (£)</b> <b>2009/10</b>
	Action Plans -		
56,040	- Health & Transport	25,000	27,593
95,850	- Bus	96,500	60,364
49,959	- Rail & Freight	181,000	167,869
6,278	AWPR related	0	0
426,013	Other Costs	388,000	509,497
<b>634,140</b>	<b>Total</b>	<b>690,500</b>	<b>765,323</b>

### Note 3 Modern Transport Systems

<b>Actual (£)</b> <b>2008/09</b>		<b>Budget (£)</b> <b>2009/10</b>	<b>Actual (£)</b> <b>2009/10</b>
65,285	Trunk Roads	0	0
<b>65,285</b>	<b>Total</b>	<b>0</b>	<b>0</b>

**Note 4**  
**General Projects**

The table below details the budget and expenditure of the grant for general projects advanced by the partner Councils. The partner authorities, on behalf of the Partnership, managed projects and these have been split by theme. Nestrans has not created assets of its own and both the funding and spend have been interpreted as additional revenue activity in these statements.

<b>Actual (£)</b> <b>2008/09</b>	<b>General Projects</b>	<b>Budget (£)</b> <b>2009/10</b>	<b>Actual (£)</b> <b>2009/10</b>
418,932	Local Projects	70,000	56,918
1,223,350	Strategic Roads	1,244,000	1,617,039
579,954	Quality Bus Corridors	397,500	294,510
694,387	Strategic Cycle Routes	1,054,500	959,146
760,512	Railway facilities	320,000	315,000
11,863	Demand Responsive Transport	0	0
190,594	Towns Interchange	28,000	35,785
<b><u>3,879,592</u></b>	<b>Total</b>	<b><u>3,114,000</u></b>	<b><u>3,278,398</u></b>

**Note 5**  
**Related Party Transactions**

Income from the partner authorities is disclosed on the Income & Expenditure Account which is detailed above. During the year, expenditure on transactions with related parties is as follows.

	Aberdeen City Council		Aberdeenshire Council	
	2008/09 £	2009/10 £	2008/09 £	2009/10 £
Core Costs	54,988	63,659	38,500	40,700
Regional Transport Strategy	114,845	101,025	122,322	139,142
General Projects	<u>1,423,536</u>	<u>1,308,574</u>	<u>2,456,056</u>	<u>1,969,824</u>
	<b><u>1,593,369</u></b>	<b><u>1,473,258</u></b>	<b><u>2,616,878</u></b>	<b><u>2,149,666</u></b>

**Note 6****Payments to Board Members and Officers**

No payments to Board members took place in 2009/10.

The table below details the numbers of officers whose emoluments fell within each bracket in multiples of £10,000 and starting with £50,000.

<b>2008/09</b>	<b>Salary Band</b>	<b>2009/10</b>
0	£50,000 - £59,999	0
1	£60,000 - £69,999	1
<u>1</u>		<u>1</u>

**Note 7****External Audit Fees**

<b>2008/09</b>		<b>2009/10</b>
£		£
	Fees payable in respect of External Audit Services:	
10,300	Agreed Audit fee	11,360
0	Fees in respect of other works	0
<u>10,300</u>	<b>Total</b>	<u>11,360</u>

**Note 8****Movements in Reserves**

Under existing statute Nestrans is not able to retain any surplus generated. Any surplus generated has to be returned to the constituent councils. Similarly any deficit has to be met through additional contributions from the constituent councils.

<b>General Fund</b>	<b>£</b>
Balance at 1 April 2009	0
Movement for Year	<u>0</u>
Balance at 31 March 2010	<u>0</u>

**Note 9**  
**Analysis of Year End Debtors and Creditors**

<b>Debtors</b>		
<b>2008/09</b>		<b>2009/10</b>
£		£
49,928	Outstanding Grant Claims	1,203,000
348,568	VAT Recoverable	263,776
0	Bank Interest Accrued	108
3,969	Pre-Payments	40,127
16,291	Manual Debtors	14,512
0	Additional Partner Contributions	43,457
<b>418,756</b>		<b>1,564,980</b>
<b>Creditors</b>		
159,518	Professional Support Costs	114,307
425,619	Regional Transport Strategy	291,692
65,285	MTS Consultancy/Feasibility Costs	0
1,812,472	Aberdeenshire Council	980,581
1,241,375	Aberdeen City Council	1,248,279
418,441	Others	900
<b>4,122,710</b>		<b>2,635,759</b>

**Note 10**  
**Cash Flow Statements**

**Note 10.1**  
**Reconciliation of Surplus to Net Cash Flow**

Reconciliation of Income and Expenditure Account to Revenue Activities Net Cash Flow

<b>2008/09</b>		<b>2009/10</b>	<b>2009/10</b>
£		£	£
542,797	(Surplus)/Deficit for Year		118,396
( 542,797)	Drawn down from Partner Authorities		( 118,396)
Items on an Accruals Basis			
( 159,313)	Increase/(Decrease) in Debtors	1,146,224	
188,344	(Increase)/Decrease in Creditors	1,486,951	
29,031			2,633,175
98,673	Adjust for Interest Received included in Revenue		9,426
<b>127,704</b>	Net Cash Flow from Revenue Activities		<b>2,642,601</b>

**Note 10.2****Reconciliation of Movement in Cash to Movement in Net Investment**

<b>2008/09</b>		<b>2009/10</b>
£		£
( 3,465)	Increase/(Decrease) in Cash & Bank	3,669
( 25,566)	Increase/(Decrease) in Investment	( 2,636,844)
( 29,031)	Movement in Net Investment	( 2,633,175)
3,732,985	Net Investment b/f	3,703,954
<b>3,703,954</b>		<b>1,070,779</b>

**Analysis of Movement in Net Debt**

	<b>As at 1<sup>st</sup> April 2009</b>	<b>Cash Flows</b>	<b>As at 31<sup>st</sup> March 2010</b>
	£	£	£
Bank balance and Cash	1,473	3,669	5,142
Borrowing	0	0	0
Short Term Investments	3,702,481	( 2,636,844)	1,065,637
Total	<b>3,703,954</b>	<b>( 2,633,175)</b>	<b>1,070,779</b>

**Note 11****Treasury Management**

Aberdeenshire Council acted as paymaster for the Partnership during 2009/10 and with the exception of credit card transactions all expenditure was paid by the Council and reimbursed by Nestrans. The sum that remained outstanding by Nestrans is included in the Creditors figure included in the Balance Sheet and identified in Note 4.

**Note 12**  
**Financial Instruments**

**Financial Instruments Balances**

The Partnership is funded by income from the Scottish Government and Partner Councils and therefore is not subject to significant liquidity or credit risk exposure. The Partnership's financial instruments comprise investments, cash and bank, debtors and creditors.

Investments, cash and bank, debtors and creditors shown in the balance sheet are for less than 12 months and so are initially measured at fair value and carried at amortised cost, which equates to the actual cash value at 31 March 2010.

Borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	2008/09	2009/10	2008/09	2009/10
	£	£	£	£
Financial liabilities at amortised cost	-	-	4,122,710	2,635,759
Total borrowings	<b>0</b>	<b>0</b>	<b>4,122,710</b>	<b>2,635,759</b>
Loans and receivables	-	-	4,122,710	2,635,759
Total investments	<b>0</b>	<b>0</b>	<b>4,122,710</b>	<b>2,635,759</b>

(i) Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follow:-

Financial Assets Loans and Receivables

	£
Interest Income	9,534

The Partnership's activities expose it to a variety of financial risks

- credit risk – the possibility that other parties might fail to pay amounts due to the Partnership
- liquidity risk – the possibility that the Partnership might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Partnership as a result of changes in such measures as interest rates and stock market movements.

## **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the constituent authorities. Surplus funds are placed on deposit with the Partnership's bankers the Clydesdale Bank plc. The Partnership does not expect any losses from non performance by any of its counterparties in relation to these deposits.

## **Liquidity Risk**

The Scottish Government and the constituent authorities make provision for the Transport Partnership's use of resources in its budget for each financial year. Resources can only be used for the purposes specified in the budget. The Partnership is therefore not exposed to significant liquidity risks.

## **Market Risk**

### **Interest Rate Risk**

The Partnership is exposed to interest movements on its investments. For instance a rise in interest rates would increase the interest income credited to the Income & Expenditure Account.

An increase/(decrease) of 1% in the interest rate would increase/(decrease) the amount of interest earned by £10,708. (based on Net Debt above)

### **Foreign Exchange Risk**

The Partnership has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

## **Note 13**

### **FRS 17 - Pension Costs**

#### **Aberdeen City Council Pension Fund**

Staff employed by the Partnership are entitled to be members of the Superannuation Scheme which is administered by Aberdeen City Council. This provides staff with defined benefits upon their retirement, and the Partnership contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

It is not possible for the Partnership to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the basis of a defined contribution scheme.

For 2009/10, the Partnership paid £45,498 to the Fund in respect of retirement benefits representing 19% of pensionable pay. The figures for 2008/09 were £34,556 and 19%.

Contributions of £5,312 remain payable at the year end.

**Note 14**  
**Post Balance Sheet Events**

No events have occurred after the balance sheet date that could be classified as adjusting or non-adjusting events.

## **STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL**

This statement is given in respect of the 2009/10 Financial Statements for The North East of Scotland Transport Partnership (Nestrans). I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources deployed by Nestrans.

The system of internal financial control can provide only reasonable assurance that assets and other resources are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of financial regulations, regular financial and other management information, appropriate administrative procedures and processes which include segregation of duties, an appropriate management structure and a system of supervision, delegation and accountability. Development and maintenance of the system is undertaken by managers within Nestrans and partner Councils who advise or otherwise assist in the management of the Partnership.

The internal financial control system includes:

- comprehensive budgeting systems;
- production of regular financial statements which indicate financial performance against the budgets and appropriate forecasts;
- annual financial reports which indicate actual financial performance against budget;
- clearly defined standing orders.

Nestrans operates the corporate financial systems of Aberdeenshire Council. These systems are subject to review by both the Council's internal audit section and the Council's external auditor.

My review of the effectiveness of the system of internal financial controls is informed by the work of internal and external audit, as well as the work of managers within Aberdeenshire Council and Nestrans.

I am satisfied that the North East of Scotland Transport Partnership has a sound system of internal financial control in place and at this time there are no material weaknesses or failures identified that could have a material effect on the operations of the Partnership.

Derek Yule, BCom, CPFA, IRRV (Hons)  
Treasurer  
7 June 2010

## **Independent Auditor's Report**

### **Independent auditor's report to the members of North East of Scotland Transport Partnership and the Accounts Commission for Scotland**

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, 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 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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 for Scotland.

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 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, I report to you if, in my opinion, the Partnership 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 Partnership'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 and Glossary of Terms. 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 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 2009 SORP, of the financial position of the North East of Scotland Transport Partnership as at 31 March 2010 and the income and expenditure of the Partnership for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

*Maggie Bruce CA,  
Senior Audit Manager  
Audit Scotland – Audit Services  
Ballantyne House, 84 Academy Street  
Inverness, IV1 1LU*

*31 August 2010*

## **GLOSSARY of TERMS**

- 1. Accruals:**  
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
- 2. Administration Costs:**  
Includes telephone, printing, stationery, advertising and postage.
- 3. Consistency:**  
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 4. Fees and charges:**  
Income received for services provided.
- 5. Government Grants:**  
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
- 6. Premises Costs:**  
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.
- 7. Revenue Expenditure:**  
This is expenditure incurred in providing services in the current year and which benefits that year only.
- 8. Staff Costs:**  
Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
- 9. Supplies and Services:**  
Includes the cost of purchasing materials, spare parts, food and protective clothing as well as payments to contractors and others for the provision of services.