

2006/2007
STATEMENT OF ACCOUNTS
(for the period 1 April 2006
to 31 March 2007)

nestrans

The Transport Partnership for Aberdeen City and Shire

FOREWORD TO THE STATEMENT OF ACCOUNTS 2006/07

This is the first financial year of the North East Scotland Transport Partnership (Nestrans), having become a statutory body with effect from 1 April 2006. Nestrans was fortunate in inheriting the structure, staff and work of the former voluntary partnership of the same name that preceded it.

However, this inheritance also brought added challenges. Besides needing to put in place all the organisational arrangements required of a statutory body and preparing a regional transport strategy to the Scottish Executive's exacting timescale, Nestrans was also expected to maintain the momentum on moving key strategic projects through to delivery. The fact that this has been accomplished has been thanks to the commitment and concerted efforts of Board members and the Executive Team, along with the support of officials from both Aberdeen City and Aberdeenshire Councils.

The programme of work for Nestrans first year was set out in our Corporate Plan published in September 2006. Nestrans vision is "a transport system for the North East of Scotland which enables a more economically competitive, sustainable and socially inclusive society." As explained in the Corporate Plan this was to be achieved in 2006/07 through four key strands of work:

- developing a Regional Transport Strategy to 2021;
- taking forward major infrastructure projects within the 2011 strategy;
- promoting travel planning and more sustainable travel; and
- delivering a programme of direct investment in capital projects.

The Nestrans Annual Report published in May 2007 summarised the progress on each of these work strands, with the main tasks being successfully accomplished. The Regional Transport Strategy was duly submitted to the Scottish Executive by their deadline of 31 March. Major progress has been made on delivering key transport projects, notably:

- rail freight gauge enhancement;
- the reopening of Laurencekirk Station;
- progressing the detailed implementation of the Western Peripheral Route and Balmedie-Tipperty dualling; and
- appraisal studies of Aberdeen Crossrail, Haudagain Roundabout improvements and A90 Access from the South.

Nestrans has also continued to lead the country in terms of travel planning and was the first Regional Transport Partnership to submit its travel planning strategy to the Scottish Executive. The capital programme has successfully focussed on delivering improvements in quality bus corridors, strategic cycle routes, railway station facilities and demand responsive transport.

The foundations are now in place for Nestrans to help turn its Regional Transport Strategy for 2021 into reality. The focus will shift over the next year from strategy development to delivery and the allocation of Nestrans budget will duly reflect this.



Councillor K Stewart
Chair of Nestrans
31 May 2007

STATEMENT OF ACCOUNTS 2006/07

Contents	Page
Explanatory Foreword by the Director of Finance	3-5
Statement of Accounting Policies	6-7
Income and Expenditure Account	8
Statement of Movement in the General Fund Balance	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Accounts	12-15
Glossary of Terms	16-17
Statement of Assurance	18-19
Statement of Responsibilities for the Statement of Accounts	20
Independent Auditor's Report	21-22

EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

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).

The SORP constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003.

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 2007.

This is the first year of the new statutory Transport Partnership, therefore the accounts do not include any comparative figures from the previous financial year.

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.

Both income and expenditure are measured using essentially the same accounting conventions i.e. UK Generally Accepted Accounting Practice (UK GAAP) that a large (but unlisted) company would use in preparing its audited annual financial statements.

2. Statement of Movement in the General Fund Balance

The items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund is determined by statute and non-statutory proper practices rather being in accordance with UK GAAP.

This Statement allows for the identification of non-statutory items that require to be accounted for in order to calculate the Partnership's overall financial outturn for the year.

In 2006/07 there were no adjustments for non-statutory items.

3. 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.

4. Cash Flow Statement

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

5. Statement of Assurance

This Statement sets out the Partnership's framework for corporate governance. If appropriate, it also includes significant identified weaknesses and remedial actions taken or planned. Whilst the Statement refers to the reported financial year it also incorporates any significant events that may have occurred between the balance sheet date and the date that the accounts are formally signed off.

FINANCIAL OUTTURN 2006/07

In 2006/07 the Partnership budgeted to spend £4,046,970 on the provision of services. Actual expenditure was £3,373,833, or £673,137 lower than originally anticipated.

The major part of this underspend is attributed to the general projects for which the Scottish Executive provided specific grant funding up to a budgeted spend of £3,011,970. These projects were either delivered with the assistance of Aberdeen City and Aberdeenshire Councils or the funds were paid as grants directly to third parties. The programme of works was delayed in starting because of initial uncertainty over the ability of the Partnership to recover VAT, delays in the agreement being received on the overall project plan from the Scottish Executive and more specific delays associated with specific projects including design and tender issues, land title etc.

Nestrans did not create any specific assets of its own and both the funding and spend have been interpreted as additional Revenue activity in these statements.

The Partnership did not have a full complement of staff for the year and this was a significant factor that affected the capability of the organisation to deliver a number of planned works. Travel Awareness/Plans is one area of more significant underspend which was affected by this issue. The underspend in this area was £51,700 or almost 52%. This section is now fully staffed and the Partnership fully expects to deliver the planned programme for 2007/08.

One area of significant spend which was not budgeted for initially occurred in Crossrail activity. £132,000 of the expenditure in this area is met by an additional specific grant from the Scottish Executive.

PENSION COSTS

The Partnership is required to reflect any material assets or liabilities arising from the full implementation of FRS 17 – Accounting for Pension Costs.

Most staff employed by Nestrans are seconded from other organisations. While Nestrans is a member of the pension scheme, which is administered by Aberdeen City Council, only two employees are members of this scheme. As such any assets or liabilities are not material to the financial affairs of the Partnership.

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 co-operation.

A handwritten signature in blue ink, appearing to read 'Charles Armstrong', is written over a light blue horizontal line.

Charles Armstrong BA, CPFA, FCCA
Director of Finance
31 May 2007

STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historic Cost convention modified by the revaluation of certain fixed assets if appropriate. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom 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 those recommendations.

1. Reserves and Provisions

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

Provision is also made for known liabilities that can only be estimated. These liabilities relate to losses on debts and loans due to the Partnership at 31 March 2007.

2. Tangible Fixed Assets

The principles of capital accounting are that capital expenditure is held as a fixed asset, provided that it yields benefits to the Partnership for more than one year. The Income & Expenditure account is charged for the use of the asset based on its value and expected life. Nestrans has no Tangible Fixed Assets at this time.

3. 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 2007.

4. Interest Charges

Interest payable on external borrowings and interest income has been reflected in the Income & Expenditure account on an accruals basis.

5. 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.

6. Stock and Work in Progress

Stocks will be included in the balance sheet at the total of the lower of average cost or net realisable value.

7. Pension Costs

In 2003/04, the full implementation of Financial Reporting Standard 17 – Retirement Benefits (FRS 17) resulted in a material effect on the accounts of many organisations. Nestrans only has two employees which this affects and the impact on the accounts of the Partnership is negligible. No adjustments have therefore been made for FRS17.

8. 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.

9. Overheads and Support Services

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

INCOME AND EXPENDITURE ACCOUNT

		2006/07
		£
Expenditure		
Core Costs (note 1)	417,181	
Regional Transport Strategy (note 2)	211,893	
Modern Transport Projects (note 3)	443,331	
General Projects (note 4)	2,301,428	
	<hr/>	
Net Cost of Services		3,373,833
Interest		<hr/> (39,142)
Net Operating Expenditure		3,334,691
Partner Contributions (note 5)	(345,384)	
Scottish Executive (note 6)	(489,307)	
Scottish Executive – General Projects (note 6)	(2,500,000)	
	<hr/>	
		<hr/> (3,334,691)
Surplus for the Year		<hr/> 0

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2006/07
	£
Surplus for the year on the Income & Expenditure Account	0
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<u>0</u>
Increase in General Fund Balance for the year	0
General Fund Balance brought forward	<u>0</u>
General Fund Balance carried forward	<u>0</u>

BALANCE SHEET

	As at 31 March 2007 £
Current Assets	
Bank	3,266,128
Cash	50
Debtors (Note 11)	<u>512,397</u>
	3,778,575
Creditors (Note 11)	(3,778,575)
Net Current Assets	<u><u>0</u></u>
Represented by General Fund	<u><u>0</u></u>



Charles Armstrong, BA, CPFA, FCCA
Treasurer
19 June 2007

CASH FLOW STATEMENT

	2006/2007 £	2006/2007 £
REVENUE ACTIVITIES		
Cash Outflows (Note 13)		
Core costs	6,197	
RTS Costs	-	
Projects Related Costs	-	
Major Projects from Specific Grants	-	
	<hr/>	6,197
Cash Inflows		
“Capital” Projects Grant	(2,500,000)	
Operating Costs Revenue Grant - Aberdeenshire	(50)	
Operating costs Revenue Grant - Aberdeen City	(131,500)	
Operating costs Revenue Grant - Scottish Executive	(300,000)	
Travel Plan Staff Grant	(22,500)	
Feasibility Study Grant	(95,000)	
Other Grants	(200,000)	
Cash Received for Goods and Services	(23,325)	
	<hr/>	(3,272,375)
Revenue Activities Net Cash Flow (Note 12.2)		£3,266,178)
Servicing of Finance		
Cash Outflows		
Interest Paid		0
Cash Inflows		
Interest Received		0
Net Cash Inflow/Outflow before Financing		(3,266,178)
(Increase/Decrease in Cash (Note 12.1))		<hr/>(3,266,178)<hr/>

NOTES TO THE ACCOUNT

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. Notes 1 to 6 provide additional information in support of the figures detailed in the Income & Expenditure Account and the remainder of the Notes are those which are required by the Codes of Practice.

Note 1 Core Cost

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

	Budget (£)	Actual (£)
Partnership Office	255,000	251,557
Partner Support costs	78,000	74,174
Board Members		
Expenses	2,000	0
Other Associated Costs	80,000	91,450
Total	<u>415,000</u>	<u>417,181</u>

Note 2 Regional Transport Strategy

	Budget (£)	Actual (£)
Retained Consultancy	150,000	183,750
Support		
Other Costs	50,000	28,143
Total	<u>200,000</u>	<u>211,893</u>

Note 3 Modern Transport Systems

	Budget (£)	Actual (£)
Trunk Roads	50,000	21,274
Aberdeen Crossrail	65,000	181,898
Travel Plans/Awareness	100,000	48,328
Feasibility Studies	65,000	20,000
Other Specified Projects	120,000	167,775
Contribution to other Public Transportation Projects	20,000	4,056
Total	<u>420,000</u>	<u>443,331</u>

Note 4 General Projects

The table below details the budget and expenditure of the grant for general projects advanced by the Scottish Executive. The partner authorities, on behalf of the Partnership, managed projects and these have been split by theme. The expenditure for these themes is to be met from a specific grant that was budgeted at £3.012M, which because of delays affecting a number of projects payment was reduced to £2.3M.

General Projects	Budget (£)	Actual (£)
Quality Bus Corridors	1,937,000	1,529,854
Strategic Cycle Routes	720,000	506,965
Railway Facilities	155,000	92,147
Demand Responsive Transport	200,000	172,462
	<u>3,012,000</u>	<u>2,301,428</u>

Note 5 Related Partner Transactions

Each of the constituent partners of Nestrans, Aberdeenshire Council, Aberdeen City Council and the Scottish Executive agreed to contribute towards the core costs of the organisations. The current legislative position of Nestrans prevents it from retaining a surplus and the "Actual" position detailed below identifies the cost after the surplus on the Income & Expenditure Account is returned to the Council partners.

Core Funding	Budget (£)	Actual (£)
Aberdeenshire Council	175,000	22,692
Aberdeen City Council	175,000	22,692
Scottish Executive	300,000	300,000
	<u>650,000</u>	<u>345,384</u>

Note 6 Other Funds Received

The other funds received are in respect of specific grants from the Scottish Executive or Transport Scotland.

Note 7 Payments to Board Members

No payments to Board members took place in 2006/07.

Note 8 Section 5 of the Local Government Act 1986

Under the terms of section (5) 1 of the Local Government Act 1986 (Part 11), Local Authorities are required to keep a separate account of expenditure on publicity. In 2006/2007 Nestrans spent £79,250 on expenditure of a publicity nature.

Note 9 External Audit Fees

Nestrans incurred fees of £11,200 relating to external audit and inspection.

Note 10 Movements in Reserves

General Fund	£
Balance at 1 April 2006	0
Movement for Year	0
Balance at 1 April 2007	<u>0</u>

Note 11 Analysis of Year End Debtors and Creditors

	£
Debtors	
Outstanding Partner Contributions	218,450
VAT Recoverable	82,998
Bank Interest Accrued	39,142
Outstanding Grant Claims	<u>171,807</u>
	<u>512,397</u>
Creditors	
Professional Support costs	47,000
Regional Transport Strategy Consultancy	107,943
MTS Consultancy and Feasibility Study costs	147,020
Sundry including Audit Fee	30,793
Sums due to Partner Councils	<u>3,445,819</u>
	<u>3,778,575</u>

Note 12 Cash Flow Statements**Note 12.1 Increase/(Decrease) in Cash and Cash Equivalents**

	2006/2007
	£
Bank	3,266,128
Cash	<u>50</u>
	<u>3,266,178</u>

Note 12.2 Reconciliation of Surplus to Net Cash Flow

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

	2006/2007 £	2006/2007 £
(Surplus)/Deficit for the Year		0
Non Cash Transactions		
(Increase)/Decrease in Provisions set aside in year	0	
Contributions (to)/from Funds & Reserves	0	
	—————	0
Items on an Accruals Basis		
Increase/(Decrease) in Stock	0	
Increase/(Decrease) in Debtors	512,397	
(Increase)/Decrease in Creditors	(3,778,575)	
	—————	(3,266,178)
Adjust Capital Financing		0
Net Cash Flow from Revenue Activities		<u><u>(3,266,178)</u></u>

Note 13 Cash Flow

Aberdeenshire Council acted as paymaster for the Partnership during 2006/07 and with the exception of credit card transactions all expenditure was paid by the Authority. The sum paid is included in the Creditors figure included in the balance sheet and identified in Note 10. The Partnerships bank accounts and Cash Flow statements do not show the impact of these transactions until 2007/08 when reimbursement took place.

GLOSSARY

- 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. Capital Expenditure**
This is expenditure incurred in creating or acquiring an intangible fixed asset, or expenditure that adds to, and not merely maintains, the value of an existing fixed asset. Capital expenditure is normally financed by borrowing over a period of years or by utilising the income from the sale of existing assets.
- 4. Capital Financed from Current Revenue (CFCR)**
The cost of capital expenditure financed at the Partnership's discretion from within the Partnership's Revenue Budget.
- 5. Consistency**
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
- 6. Depreciation**
The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.
- 7. Exceptional Items**
This relates to material items that are not expected to recur, and which require to be disclosed separately.
- 8. Fees and charges**
Income received for services provided.
- 9. 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.
- 10. Infrastructure Assets**
Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
- 11. Intangible Assets**
Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Partnership through custody or legal rights e.g. software licences.
- 12. Payments to Agencies and Others**
Includes grants to individuals and various organisations as well as payments to other organisations in return for providing a service on behalf of the Partnership.

13. Premises Costs

Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.

14. Revenue Expenditure

This is expenditure incurred in providing services in the current year and which benefits that year only.

15. Staff Costs

Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.

16. 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.

STATEMENT OF ASSURANCE

Nestrans is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, the Board and senior officers are responsible for putting in place proper arrangements for the governance of Nestrans affairs and the stewardship of the resources at its disposal.

As this was the first year of Nestrans as a statutory body, reliance was placed on the standards and proper practices in place within both Aberdeen City and Aberdeenshire Councils. Officers appointed as advisers to the Board were required to ensure that such arrangements were in place.

Aberdeenshire Council provided financial support and entered all financial transactions through its own ledger. Reliance was therefore placed on the internal controls and audit checks within the Council to ensure that all monies attributable to Nestrans were properly accounted for.

Nestrans does however need to develop its own policies in respect of corporate governance. In particular this will cover four key areas of risk management, community focus, service delivery, and structures and processes.

Nestrans will require to undertake a full risk analysis, and develop an action plan to address any weaknesses. The Board is not aware of any material risks at present, but does recognise that financial support from the Scottish Executive is dependent on the delivery of key performance objectives. Any failure to deliver a range of approved projects could affect the level of financial resources available to the Partnership.

During 2006/07 there were delays in developing projects and as a result Nestrans failed to fully spend its grant allocation by 31 March 2007. Part of the reason for this was a delay in receiving notification of grant, difficulties over the VAT status of the new Partnership, and approval of capital spending plans. Nevertheless further work is required to ensure that appropriate project management and communication arrangements are in place between Nestrans and the two supporting councils to enable the full programme of planned expenditure to be delivered within timescale.

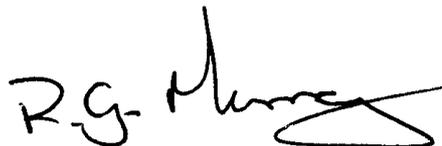
In its first year, the main focus of work has been the development and publication of a regional transportation strategy. This has involved considerable discussion with community and other partners, and is currently awaiting approval by Scottish Ministers. The Strategy sets out the key transport challenges facing Aberdeen City and Shire over the next fifteen years and how Nestrans will address them. It includes a comprehensive appraisal of the problems and issues affecting transport in the north-east, sets out Nestrans aims and objectives, and proposes a detailed plan of action for improving transport in the region between now and 2021.

A new Director has been appointed and will take up post in June 2007. One immediate task will be to review structures and the Board will develop this issue during 2007.

Based on the above, reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's control system in the year to 31 March 2007, and the actions detailed above will address the need for improvements.

A handwritten signature in black ink, appearing to read 'Kevin Stewart', with a large, sweeping flourish extending upwards and to the right.

Kevin Stewart
Chair of the Nestrans Board

A handwritten signature in black ink, appearing to read 'R.G. Murray', with a large, sweeping flourish extending to the right.

Derick Murray
Director

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 Director of Finance of Aberdeenshire Council.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurers' responsibilities:

The Treasurer is responsible for the preparation of the Partnership's Statement of Accounts. In terms of the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom ("the Code"), the Treasurer is required to present fairly the financial position of the Partnership at the accounting date and its income and expenditure for the year ended 31 March 2007.

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";
- kept proper accounting records; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The balance sheet has been signed by the Treasurer as a representation that the financial statements present fairly the financial position of the Partnership at the accounting date, and its income and expenditure for year ended 31 March 2007.



Charles Armstrong, BA, CPFA, FCCA
Treasurer
19 June 2007

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 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the Joint Board's Balances, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective Responsibilities of the Treasurer and Auditor

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

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

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

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

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the

amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Joint Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

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



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

31 August 2007

