



Grant Thornton

Highlands and Islands Transport Partnership (HITRANS) – DRAFT

External Audit Annual Report to the Board and the Controller of Audit for the financial year ended 31 March 2019

September 2019

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Engagement Leader

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Senior Manager



Our audit at a glance



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work and this final report to the Board and the Controller of Audit concludes our work.



Materiality was set at 2% of gross expenditure within our plan, and was updated to reflect the draft financial statements at £32,580. We identified one adjustment to the draft financial statements in relation to defined benefit pension scheme liabilities and we are satisfied this has been corrected in the financial statements (appendix 2).



Significant audit risks identified in our annual audit plan were: management override of controls and the risk of fraud in expenditure recognition as set out in the Financial Reporting Council's Practice note 10. Our risk assessment remained unchanged and we did not identify any adjustments in these areas in our work.

An audit underpinned by quality



We have built on our understanding and relationship with the Highlands and Islands Transport Partnership (HITRANS) during the year supporting our audit process.



Our work was undertaken in accordance with our agreed timetable. The draft financial statements produced by officers were of a good standard with complete information and good supporting working papers. We thank officers for their support and assistance during our work.



A wider scope audit for the HITRANS as set out in our plan, was considered not appropriate. However, we have considered your financial management arrangements and governance statement as part of our audit. We have raised one recommendation, following up on a prior year observation, around the need to develop medium term financial plans.

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Introduction

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2019.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

In accordance with our reporting responsibilities the report is jointly addressed to the Controller of Audit and HITRANS Board.

Once finalised this report will be made publically available on the Audit Scotland website (www.audit-scotland.gov.uk)

We would like to thank the HITRANS' officers and the finance team for an effective year-end audit process and all their support and assistance in the audit process.

Structure of this report

As set out in our Audit Plan (February 2019), in accordance with the Audit Scotland Code of Practice, we consider HITRANS as a smaller body. Therefore full wider scope is not appropriate. Our report concludes on our financial statements audit and certain aspects of the HITRANS' arrangements as follows:

Financial statements – Section 2 and Appendix 1

Financial and governance arrangements – Section 2

Our audit work is substantially complete subject to:

- Financial disclosure checks
- Receipt of signed letter of representation
- Final Engagement Lead review
- Subsequent events procedures
- Letter of representation

Our Opinion

For the financial year ended 31 March 2019 we [**expect to**] issue an **unmodified audit opinion**

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 code
- prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003
- Other information in the annual report including Annual Governance Statement
- Other prescribed matters (which include the audited information in the remuneration report)

Basis of preparation

HITRANS' financial statements are prepared in accordance with the 2018/19 CIPFA Code of Practice on Local Authority Accounting ('the 2018/19 Code'). The 2018/19 Code introduced a number of changes including the adoption of new International Financial Reporting Standards (IFRS): IFRS 9: Financial Instruments, and IFRS 15: Revenue from contracts with customers. However, the introduction of these standards and other changes within the 2018/19 Code did not have a material impact on the financial statements.

The audit process

A complete set of financial statements were made available to the public on 27 June 2019, meeting the statutory deadline of the end of June.

The draft financial statements were supported by good working papers and the audit was efficient.

We identified one change to the financial statements and have no unadjusted differences to report. We identified minor disclosure enhancements and these have been reflected in the financial statements (see Appendix 2).



Audit approach and materiality

Our audit approach was set out in our annual audit plan presented to the Board in February 2019. As set out in our plan, our materiality calculations were based on the audited 2017/18 financial statements. We subsequently updated our materiality calculation to be based on the draft 2018/19 financial statements. Overall materiality has been set at £32,580 (2% of gross expenditure) and performance materiality is set at £24,435. (75% of materiality). We report to management any audit difference identified over £1,629 (trivial as 5% of materiality).

The draft financial statements were of a good standard supported through detailed working papers.

Audit opinion

Based on our audit procedures performed [*we expect*] to issue an unqualified audit opinion on the financial statements including:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code) of the state of the body's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 code;
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003;
- the information contained in the Management Commentary is consistent with the financial statements and have been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement has been prepared in accordance with the Delivering good Governance in Local Government Framework (2016); and
- audited parts of the remuneration and staff report have been prepared in accordance with applicable guidance.

Internal control environment

During the year we sought to understand HITRANS' overall control environment (design) as related to the financial statements. In particular we have:

- Sought to understand procedures and controls around related parties, journal entries and other key entity level controls including understanding of the controls in place at The Highland's Council, who administer financial transactions on HITRANS' behalf.
- Performed procedures around entity level controls and there are no significant matters that we wish to draw to your attention.
- Performed walkthrough procedures on key controls around identified risk areas including revenue expenditure

No material weaknesses in the accounting and internal control systems were identified based on our work undertaken during the audit which could have an adverse impact on HITRANS ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. We adopted a substantive based approach to the audit of the financial statements and therefore our review is limited to the design of controls rather than the operating effectiveness of these.

Identified audit risks and our conclusions

Identified audit risk at planning	Work completed	Our conclusion
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Risk of fraud in revenue</p>	<p>As set out in International Standards on Auditing 240: <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> (ISA 240), there is a presumed risk that the financial statements may be misstated due to improper recognition of revenue.</p> <p>As noted in our annual audit plan, HITRANS is grant funded. Given the funding is well forecast and agreed directly to funding confirmation letters and amounts received, it is our opinion that there is a lower risk of misstatement in revenue as there is limited opportunity or incentive for the risk to occur. We therefore rebut the presumed risk around revenue recognition. During our audit we have agreed revenue recognised to third party funding confirmation and are satisfied that these are free from material misstatement.</p>	<p>As set out in International Standards on Auditing 240: <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> (ISA 240), there is a presumed risk that the financial statements may be misstated due to improper recognition of revenue.</p> <p>As noted in our annual audit plan, HITRANS is grant funded. Given the funding is well forecast and agreed directly to funding confirmation letters and amounts received, it is our opinion that there is a lower risk of misstatement in revenue as there is limited opportunity or incentive for the risk to occur. We therefore rebut the presumed risk around revenue recognition. During our audit we have agreed revenue recognised to third party funding confirmation and are satisfied that these are free from material misstatement.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Risk of fraud in expenditure</p>	<p>As set out in Practice Note 10 (revised), which is applicable to public sector entities, there is a presumed risk that operating expenditure may be understated or not treated in the correct period (risk of fraud in expenditure).</p> <p>As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on non-pay expenditure. Given financial performance is predominantly measured based on year end outturn position, we consider the risk to be prevalent around the year end. Our risk is around understatement of expenditure and therefore focus our testing on completeness and cut-off of non-pay expenditure.</p>	<ul style="list-style-type: none"> • Developed our understanding of the HITRANS' material expenditure streams including walkthrough of key transactions. • Performed cut-off at year end on post year end transactions and performed procedures to ensure expenditure allocated in appropriate financial year. Our testing included testing of up to two months post year end transactions and bank entries to confirm no unrecorded transactions • Confirmed the completeness of creditors balances through testing for unrecorded liabilities <p>From our audit procedures performed we are satisfied that expenditure is free from material misstatement. We are satisfied that transactions have been recognised in the appropriate financial year.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Management override of controls</p>	<p>As set out in ISA 240, across all entities there is a presumed risk of fraud being perpetrated by management through its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Override of controls risk is presumed across all financial statement audits.</p>	<ul style="list-style-type: none"> • Developed our understanding of the entity level controls in place at the HITRANS that reduce the risk of management override • Performed review of journal transactions for unusual transactions or balances. • Evaluated key areas of judgement within the financial statements and the basis for these judgements / application of accounting policies. Given the nature of HITRANS operations this has been limited primarily to pension fund assumptions. • Reviewed unusual and/or significant transactions <p>We did not identify any significant areas of bias in key judgements by management. The nature of HITRANS' financial transactions there is limited areas of estimation within the financial statements. The main area of estimation was around defined benefit pension actuarial assumptions. While we identified an audit adjustment in relation to defined benefit liabilities, we are satisfied that this was not indicative of management bias in the judgements and estimation applied. We have not identified any unusual or significant transactions during the course of the year that would indicate management manipulation.</p>

Testing provided reasonable assurance on all identified areas of significant risks that these were not material misstated in the financial statements and there were no audit differences arising during the course of our audit.

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed your narrative aspects of the Annual Accounts. We have considered the consistency of this narrative with our understanding and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.

Management Commentary

The information contained in the Management Commentary is consistent with the financial statements and have been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

The Management Commentary provides users of the accounts with information on HITRANS' financial and non-financial performance during the year and its financial outlook for 2019/20. While the Commentary includes a review of 2018/19 key developments and achievements, there is an opportunity to further develop the reporting in future years to provide performance against key performance outcomes.

Action plan point 1

Overall observations

The Authority's financial statements continue to be developed to provide the reader of the accounts with an understanding of the organisation's financial and non-financial performance during the year.

Annual Report and accounts

Remuneration Report

The remuneration report has been prepared in accordance with Local Authority Accounts (Scotland) Regulations 2014. The Senior Post Holders and Senior Councillors note to the accounts in line with statutory requirements.

Annual Governance statement

The Annual Governance Statement outlines HITRANS' scope of responsibility and governance framework in place, including effectiveness of governance arrangements in place.

The statement has been prepared in accordance with the Delivering good Governance in Local Government Framework (2016)

Internal Audit

As set out in our external audit plan we have not placed formal reliance on the work of the Highland Council's Internal Audit Service, HITRANS' internal audit provider. We reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach. During the year Internal Audit reviewed the Council's financial systems which are used to administer HITRANS' transactions. This included: a review of the adequacy and effectiveness of the systems of internal control for the financial year 2018/19; and, review and certification of EU project grant claims. Internal Audit concluded that "*key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy*".

Key aspects of your financial statements

As set out in our audit plan we consider particular aspects of your financial statements in relation to management judgements including estimates and where management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised where these apply, and our conclusions below.

HITRANS' accounting policies are in accordance with the CIPFA Code of Practice on Local Authority Accounting and we consider these to be appropriate to the organisation and consistent with those adopted in prior years.

HITRANS' financial statements are not complex with limited areas of judgement or estimation. They provide transparent reporting of income and expenditure throughout the year.

Accounting estimates and judgements

HITRANS' significant accounting estimates and judgement impacting on the annual accounts are the following:

- **Defined benefit pension schemes**—HITRANS participates in the Highland Council Pension Fund. The HITRANS recognises its share of the cost of retirement benefits as well as the entity's share of the scheme assets and liabilities.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members of public sector pension schemes as part of reforms to those schemes amounts to unlawful discrimination (McCloud Case). In June 2019, the Supreme Court ruled that the government had not raised an arguable point of law, the court of appeal ruling was upheld. The ruling from the original McCloud case impacts on local government pension schemes and their admitted bodies, including HITRANS. As a consequence, the original McCloud judgment gives rise to a past service cost and liability within the scope of IAS 19 as the original ruling effectively creates a new obligation. HITRANS' original IAS 19 actuarial valuation did not include provision for the impact of McCloud case. Management obtained an updated actuarial valuation incorporating the impact of the McCloud case. This resulted in an increase to the defined benefit liability of £22,000. We have reviewed the actuarial assumptions, including those around the estimating the impact of the McCloud case and are satisfied that the assumptions used within the estimate area reasonable and free from material misstatement.

Going concern

HITRANS is funded through requisitions from constituent authorities to meet annual operating costs. The HITRANS's share of defined benefit pension scheme liabilities of £1.022 million and holiday pay accruals of £9,000 exceed assets held. Consequently, HITRANS has net liabilities of £1.031 million as at 31 March 2019.

Officers are satisfied that the HITRANS will continue to receive funding from constituent authorities to meet annual operating obligations, including pension charges, in delivering statutory services. HITRANS' quarter 1 financial position also supports the conclusion that the entity will continue to meet its obligations and Management are satisfied that the entity will continue to be supported through government and constituent council support to meet its obligations as they fall due over at least a period of 12 months from the date of signing the accounts. As a result they are satisfied that the entity continues to represent a going concern. We have obtained confirmation of HITRANS funding for 2019/20 and concur with Officer's going concern assessment.

Fraud and irregularity

In relation to the audit risk of fraud in respect of expenditure we tested the HITRANS' cut off arrangements in particular (timing) and identified no issues in accruals or prepayments which would indicate potential fraud. There are no post balance sheet events or legal uncertainties at year-end.



Financial management and governance commentary

For smaller bodies we are allowed under the Audit Scotland Code of Practice to not apply the full wider scope audit. In our judgement, taking into account the nature of HITRANS and your income and expenditure streams we feel it is appropriate to treat you as a smaller body under the code. However, we will focus on financial sustainability considering your financial sustainability as well as governance arrangements.

Key observations



Financial position & sustainability

HITRANS reported total comprehensive expenditure of £299,000 for the year ended 31 March 2019. Following statutory adjustments, this represented a breakeven position against budget for the year ended 31 March 2019. Funding from constituent authorities was £23,000 below budget, primarily due to the third party contributions received for research and development activity. HITRANS had net liabilities as at 31 March 2019 of £1.031 million (2018 : Liabilities of £0.732 million) primarily due to long term defined benefit pension scheme liabilities.

HITRANS face particular financial challenges in balancing public sector funding constraints alongside increasing pressures on pay and non-pay costs. For 2019/20 the HITRANS' budget has assumed that there will be no change in constituent council requisitions.

HITRANS have developed a relatively stable financial operating model whereby core funding from constituent councils and Scottish Government has remained flat. However, Officers recognise the medium term pressures facing the organisation. In particular pay and cost pressures including a budgeted 3.5% increase in 2019/20. HITRANS supplement this funding with project income to contribute to fixed costs as well as operational efficiencies.

While we recognise that HITRANS continues to receive one year settlements from constituent councils and the Scottish Government, we recommend that Officers look to develop financial forecasts and plans beyond one year to identify and plan for areas of financial pressure over the medium term and take a strategic approach to address these.

Action plan follow up 1

HITRANS delivered a breakeven position for the year ended 31 March 2019. However, Officers recognise that the organisation faces significant financial challenges over the coming years. HITRANS should look to develop medium to longer term financial plans to develop a strategic approach to address these.



HITRANS Governance Statement

HITRANS has an established governance framework in place consisting of policies, procedures and systems of internal control to support the delivery of partnership outcomes. In addition, the Board receives monitoring reports on the progress of delivering the Regional Transport Strategy enabling oversight of the organisation's performance.

Key strategic risks are reported annually to the Board and internal audit provide assurance around the adequacy and effectiveness of HITRANS internal control framework.

From review of corporate publications, the HITRANS board minutes and papers we have not identified any material concerns around governance arrangements in place. We are satisfied that the annual governance statement articulates governance arrangements in place during the year.

HITRANS has well established governance framework in place. These facilitate monitoring and oversight of the delivery of the Regional Transport Strategy and strategic risks to the organisation.

Key observations



Openness and transparency

HITRANS is committed to openness and transparency. Partnership minutes and papers are published on the organisation's website. Key corporate publications are available on the website including the Regional Transport Strategy, how it will be delivered and monitoring delivery. HITRANS also regularly engage with the public through public consultations and information on live projects.

HITRANS continues to demonstrate a commitment to openness and transparency in decision making.



EU Withdrawal

There is considerable uncertainty around the potential impact of EU withdrawal. We have used Audit Scotland's planning guidance to evaluate HITRANS' readiness for EU withdrawal across workforce (People and Skills); Finance; and Regulations. Officers have assessed the potential impact of EU withdrawal. While workforce and regulatory implications are considered low, the main identified risk is in relation to medium to longer term funding.

HITRANS' core funding remains from the Scottish Government (£523,000 since 2011/12) and receive £200,000 from local authority partner requisitions. While HITRANS have a number of EU projects, these are expected to continue to receive European Regional Distributions Fund (ERDF) funding until 2023. HITRANS' has never recognised EU funding as a core element of funding and therefore not expanded headcount of fixed overheads to delivery EU related projects. Officers continue to engage with Scottish and UK Government to understand the likely impact of Brexit and the opportunities that any post Brexit funding would offer as a replacement from past EU funds. This is most likely to come in the form of the UK Government's stated plans for a Shared Prosperity Fund and other funding streams provided through Innovate UK. HITRANS have already participated in funding rounds of this latter fund. Officers recognise that there remains considerable uncertainty surrounding EU withdrawal and continue to seek alternative funding sources to support the delivery of HITRANS' objectives.

Officers recognise that EU withdrawal creates considerable risk and uncertainty to the organisation, particularly around EU funded projects. However, we are satisfied that HITRANS' is reasonably well prepared for the impact of EU withdrawal, including engaging with the Scottish Government and not relying on EU funding for delivery of core operations.

Appendices

Action plan and follow up of 2017/18 recommendations

Audit adjustments

Independence, fees and fraud responsibilities

Communication of audit matters with the Board

Action plan and follow up of 2017/18 recommendations

We have set out below, based on our audit work undertaken in 2018/19, those risks and recommendations we consider are of a higher risk to HITRANS that Officers may wish to consider in the future.

Recommendation

Agreed management response

Management commentary

The Management Commentary provides users of the accounts with information on HITRANS' financial and non-financial performance during the year and its financial outlook for 2019/20. While the Commentary includes a review of 2018/19 key developments and achievements, there is an opportunity to further develop the reporting in future years to provide performance against key performance outcomes.

We recommend that officers look to enhance the Management Commentary contained within the financial statements to provide quantifiable measures of performance against key priorities.

Management response:

The Management Commentary will be enhanced to provide quantifiable measures of performance against key priorities within the financial statements

Timescale:

For 2019/20 Accounts

Action Owner:

Partnership Director / Partnership Treasurer

We have also completed follow up of our 2017/18 recommendations and this is reflected below for information.

Follow up of 2017/18 External Audit Recommendations

Update as at August 2019

Strategic financial planning

Due to annual funding settlement as well as restrictions on the organisation's ability to hold reserves, HITRANS financial plans are primarily based on an annual basis. Given the financial pressures facing the organisation it is important that medium to longer term financial plans are in place to ensure that HITRANS has a sustainable operating model in place to support service delivery.

With the draft Transport Bill, there is potentially opportunity for HITRANS to retain reserves in the future providing an opportunity for more strategic financial planning and investment decisions,.

Management response: Officers will continue to engage with Transport Scotland to make the case for longer term budget commitments which might become more practical once Scottish Government move to longer term budgeting. Recent proposals for additional Active Travel funding to the RTP have been made on the basis that these should be provided with a guarantee to the end of the current Scottish Parliament term (to 2021).

Action outstanding

The annual budget for 2019/20 was approved by the Partnership in February 2019. As in previous years this was a one year budget. We recommend that Officers look to explore options around setting medium to longer term financial proposals.

Management response:

Officers will continue to engage with Transport Scotland to make the case for longer term budget commitments which might become more practical once Scottish Government move to longer term budgeting. Recent proposals for additional Active Travel funding to the RTP have been made on the basis that these should be provided with a guarantee to the end of the current Scottish Parliament term and while these funds are also allocated on the basis of single year budgeting there has been an acknowledgement that this should remain in place for the duration of the Parliamentary term.

Timescale:

Ongoing

Action Owner:

Partnership Director

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no uncorrected misstatements to the financial statements arising during our audit.

The following adjustment was identified during the course of the audit and corrected in the financial statements.

Item	Dr (£'000)	(Cr) (£'000)	Description
1	Other operating expenditure (Pension reserve)	22	<i>Being adjustment to recognise defined benefit pension scheme net liabilities for the impact of McCloud</i>
	Defined benefit pension liability	(22)	

Disclosure misstatements

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow the Board to evaluate the impact of these matters on the financial statements. There were no material/significant disclosure misstatements identified we wish to bring to your attention.

Fees, independence, fraud arrangements

External Audit Fee

Service	Fees £
External Auditor Remuneration	8,440
Pooled Costs	820
Contribution to Audit Scotland costs	530
Contribution to Performance Audit and Best Value	0
2018-19 Fee	9,790

The audit fee was calculated in accordance with guidance issued by Audit Scotland and agreed with Officers.

The above fee has not changed and our final fee was £9,790.

Fees for other services

Service	Fees £
We can confirm there are no non-audit fees for the 2018/19 financial year	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.

We can confirm no independence concerns have been identified.

Fraud arrangements

In assessing our audit risks, the audit team was alert to the possibility of fraud at HITRANS.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relation to management override of controls.
- Leading a discussion with those charged of governance (for HITRANS this is assumed to be the Board) on their view of fraud.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit. – None were identified in-year

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

It is HITRANS's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we worked with HITRANS to review specific areas of fraud risk, including the operation of key financial controls.

We also examined certain policies in place, strategies, standing orders and financial instructions, as relevant to the fraud framework, to ensure that they provide a reasonable framework of internal control.

No suspected frauds or irregularities have been identified by Management and reported in-year.

Communication of audit matters with the Accountable Officer

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance who for HITRANS we deem to be the Treasurer	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity We are independent of the HITRANS and have not identified any conflicts of interest	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence We have not incurred any non-audit fees during the year and no threats to independence identified	•	•
Significant matters in relation to going concern No significant going concern matters identified	•	•
Views about the qualitative aspects of the HITRANS accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures Set out in the Financial statements Section		•
Significant findings from the audit No significant findings from our audit		•
Significant matters and issues arising during the audit and written representations that have been sought Letter of representation will be signed by the relevant Officer. This is our standard, unmodified letter of representation.		•
Significant difficulties encountered during the audit No difficulties encountered		•
Significant deficiencies in internal control identified during the audit None identified		•
Significant matters arising in connection with related parties None identified		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements None identified. We report identified frauds to Audit Scotland through quarterly fraud returns in line with the Audit Scotland Code. These were all nil returns throughout the year		•
Non-compliance with laws and regulations None noted		•
Unadjusted misstatements and material disclosure omissions None noted. Minor disclosure amendments only and these were not material in nature		•
Expected modifications to the auditor's report, or emphasis of matter None, an unqualified opinion		•

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table above.

We communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to HITRANS' Officers and the Board

