



HENDERSON LOGGIE

**Tayside and Central Scotland Transport  
Partnership: Tactran**

**Report to Members and the  
Controller of Audit**

**2008/2009**

**External Audit Report No: 2009/03**

<b>Draft Issued:</b>	<b>31 August 2009</b>
<b>2<sup>nd</sup> Draft Issued:</b>	<b>9 September 2009</b>
<b>Final Issued:</b>	<b>11 September 2009</b>

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### Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's *Code of Audit Practice* for the audit of Tactran's financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Tactran and the Tactran Board and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



# Executive Summary

## 1.1 Financial

- 1.1.1 The audit of the 2008/09 financial statements has been completed within the timescale advised by Audit Scotland. Our opinion on the financial statements is unqualified. The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Partnership and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. A nil surplus / nil deficit position was achieved in compliance with The Transport (Scotland) Act 2005.
- 1.1.2 On 20 August 2009 we issued to the Chair of the Tactran Board, Partnership Director and Treasurer our audit report number 2009/02, *Report to those charged with Governance on the Audit of Tactran 2008/09*. The report provides audit comment on the key issues and audit opinion arising from the audit of the financial statements and of Tactran's system of internal control.
- 1.1.3 For 2008/09, the accounting system continued to be maintained on simple spreadsheets although some steps have been taken to improve the audit trail. Whilst this system is appropriate for the current scale of the organisation an enhanced financial system should be considered for future years as the Partnership evolves. Accounting adjustments were required as a result of the audit.

- 1.1.4 The final reported outturn in the 2008/09 financial statements shows an underspend of £0.067 million in relation to Roads and Transport. This was mainly due to reduced expenditure on the Regional Transport Strategy (RTS) budget, which was partly offset by a net reduction in income from the Scottish Government. As a result of the reduced level of expenditure, the Partnership did not require the full amount of monies due from the constituent Councils
- 1.1.5 Tactran accounts for a defined benefit pension scheme and at 31 March 2009 the excess of liabilities over assets, as advised by the scheme Actuary, amounted to £0.290 million (31 March 2008: £0.242 million).

## 1.2 Governance

- 1.2.1 The 10 Councillor Members of the Partnership are drawn from the four constituent Councils. There were no changes in membership during 2008/09. However, at its meeting in June 2009, the Tactran Board appointed Councillor Will Dawson as the Partnership's new Chair. The vacancy arose as a result of changes to Dundee City Council's representation on the Board subsequent to the year-end.
- 1.2.2 The Tactran Board also has a maximum of five non-Councillor members. During 2008/09 the Tactran Board approved the appointment of the Chief Executive of NHS Tayside as Health sector representative. Following the resignation of one of the other non-Councillor members advertisements were placed in the national press and this vacancy was filled on 3 February 2009 and subsequently endorsed by the Transport Minister.



# Executive Summary

## 1.2 Governance (Cont'd)

- 1.2.3 In February 2009 the Tactran Board approved an updated Publication Scheme for submission to the Scottish Information Commissioner. The development of a Records Management policy and procedures to accompany the updated Publications Scheme is underway.
- 1.2.4 Support services, including internal audit, have been provided by Perth & Kinross Council. A Service Level Agreement (SLA) is currently in place with the Council for payroll services. SLAs for other services provided to Tactran are currently being developed in conjunction with relevant Council departments. It had been intended that these would all be in place by 31 December 2008 however this timescale has not been met. Some priority will need to be given to ensure that these are completed within a reasonable timescale.

## 1.3 Performance

- 1.3.1 Tactran submitted a revised RTS to the Scottish Government in May 2008 and this was approved on 24 June 2008. The RTS sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the 15 years to 2023 and it was approved for publication by the Tactran Board in October 2008. At the same meeting the Board approved the Final RTS sub-strategies incorporating amendments arising from consultation with partner Councils and other key stakeholders.

- 1.3.2 We reported last year that work was underway redefining the RTS Delivery Plan, in light of the Scottish Government / Local Government Concordat and Government Spending Review, which resulted in former Regional Transport Partnership (RTP) Capital Grant, which is not now ring-fenced, being allocated directly to constituent Councils from 1 April 2008. Following consultation with constituent Councils the Partnership agreed in March 2009 to review the Delivery Plan, in light of the outcome of Council Budget and funding decisions which resulted in only partial commitment of the funding necessary to deliver the proposed Delivery Plan Programme. In particular, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils. A Finalised Delivery Plan was submitted for approval by the Partnership at its meeting in June 2009.
- 1.3.3 The Tactran Board has recognised that the above funding decisions place a serious constraint on the Partnership's ability to deliver the RTS and associated Delivery Plan and has implications for the effective operation of the Partnership. Discussions in relation to funding options are ongoing. This is a key risk area that Board members will need to continue to monitor closely.
- 1.3.4 Travel plan and sustainable travel related initiatives continued during the year in line with the National Transport Strategy and Regional Transport Strategy Objectives.



# Executive Summary

## 1.3 Performance (Cont'd)

- 1.3.5 Ongoing performance management is undertaken via a framework that involves Tactran officers and members of the Tactran Board. Regular progress updates in relation to the RTS and Travel Plan Strategy, Revenue and Capital Programmes, and other matters of relevance to the role and operation of the Partnership are provided at meetings of the Tactran Board. At its meeting in June 2009 the Board approved a monitoring framework that will form the basis of statutory Annual Reports on the development and delivery of the RTS.

## 1.4 Acknowledgement

- 1.4.1 Our audit for this year has brought us in contact with Tactran staff and accountants from Perth & Kinross Council assigned to facilitate the accounts preparation. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our duties.



# Introduction

## 2.1 Introduction

- 2.1.1 We are pleased to submit our third annual report covering significant matters arising during the course of our audit of Tayside and Central Scotland Transport Partnership (Tactran) for the year ended 31 March 2009.
- 2.1.2 The framework under which we operate under appointment by Audit Scotland and the audit scope is as outlined in our *Risk Assessment, Annual Audit Plan and Fee Proposal 2008/09* (Report 2009/01, issued as final on 27 February 2009). The respective responsibilities of Tactran Board members and auditors are set out in Appendix I to this report.
- 2.1.3 Broadly the scope of our audit was to:
- ❑ provide an opinion on 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
  - ❑ review and report on Tactran's corporate governance arrangements in relation to systems of internal financial control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and Tactran's financial position
  - ❑ review and report on Tactran's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value

- 2.1.4 Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Partnership.

## 2.2 Basis of Information

- 2.2.1 External auditors do not act as a substitute for Tactran's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.
- 2.2.2 We have raised a small number of issues during the course of our audit, including matters highlighted in our *Report to those charged with Governance on the Audit of Tactran 2008/09*. The main points from our reports are summarised in this report.
- 2.2.3 To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff at Tactran and Perth & Kinross Council. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.



## 3.1 Audit Completion and ISA 260 Report

- 3.1.1 The target date for submission of the 2008/09 audited financial statements of Tactran was 30 September 2009. We are pleased to report that the target date for the audit completion and certification of the annual financial statements was met.
- 3.1.2 In accordance with International Standard on Auditing (ISA 260) we issued our *Report to those charged with Governance on the Audit of Tactran 2008/09* (Report 2009/02, dated 20 August 2009) to the Chair of the Tactran Board, Partnership Director and Treasurer. This report included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from our audit.

## 3.2 Accounts Certification

- 3.2.1 On 20 August 2009 we issued our audit report expressing an unqualified opinion on the financial statements of Tactran for the year ended 31 March 2009. We set out below a summary of the audit certification issues:
- ❑ the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Tayside and Central Scotland Transport Partnership as at 31 March 2009 and its income and expenditure for the year then ended

- ❑ the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973
- ❑ the Statement on the System of Internal Financial Control reflects compliance with the SORP. We were not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of Tactran's corporate governance or risk and control procedures

## 3.3 Financial Position

- 3.3.1 The Transport (Scotland) Act 2005 requires constituent Councils to meet Regional Transport Partnerships (RTPs) net expenses for the financial year. This means that the expenditure of RTPs will always be equal to income in any year, and accordingly they cannot make an in-year surplus or deficit.
- 3.3.2 For 2008/09, following appropriate year-end adjustments, Tactran recorded a nil surplus, nil deficit position.



## 3.4 Financial Performance

- 3.4.1 For 2008/09 Tactran had an overall budget of £1.021 million made up of a Core Revenue Budget of £0.450 million, specific revenue funding from the Scottish Government of £0.509 million and £0.062 million brought forward from 2007/08. The budgeted core revenue funding comprised of £0.210 million from the Scottish Government, £0.210 million from the four constituent Councils in proportional amounts and £0.030 million anticipated interest on revenue balances. The income brought forward from 2007/08 comprised £0.050 million received from the constituent Councils and £0.012 million received from the Scottish Government.
- 3.4.2 Financial performance can be measured against the financial budget set by the Tactran Board for 2008/09. The final reported outturn in the 2008/09 financial statements shows an underspend of £0.067 million in relation to Roads and Transport. This was mainly due to reduced expenditure on the Regional Transport Strategy (RTS) budget of £0.125 million, which was partly offset by a net reduction of £0.073 million in income from the Scottish Government.
- 3.4.3 As a result of the reduced level of expenditure, the Partnership did not require the full amount of monies due from the constituent Councils and requested only £0.162 million (62% of the budgeted income due).
- 3.4.4 The Tactran Board continued to receive revenue and capital monitoring reports throughout 2008/09 in order to keep the members fully appraised as to the projected budget outturn position.

## 3.5 Accounting System

- 3.5.1 As reported in previous years, the financial system is based on a simple spreadsheet approach recording income and expenditure on a cash accounting basis. For 2008/09 some steps had however been taken to improve the audit trail. Whilst this system is appropriate for the current scale of the organisation an enhanced financial system should be considered for future years as the Partnership evolves.

## 3.6 Pensions

- 3.6.1 Tactran accounts for a defined benefit pension scheme; the Local Government Superannuation Scheme administered by Dundee City Council. In accordance with Financial Reporting Standard (FRS) 17 – Retirement Benefits the estimated pension liabilities provided by the Actuary at 31 March 2009 exceeded its share of assets in the scheme. At 31 March 2009 the excess of liabilities over assets amounted to £0.290 million (31 March 2008: £0.242 million following a prior period adjustment resulting from an amendment to FRS 17).
- 3.6.2 The liability is due to the accrual of pension liabilities in accordance with FRS 17. The liability arises primarily through the transfer of pension liability on the employment of staff by Tactran from local authorities in Scotland and England.





## 3.7 Going Concern

- 3.7.1 Tactran has adopted a 'going concern' basis for the preparation of the financial statements as the constituent Councils will meet all liabilities of Tactran as they fall due. We are satisfied that the process which Tactran has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

## 3.8 Reserves and Balances

- 3.8.1 RTPs cannot carry a balance on their General Fund as, due to the way they are funded, income is restricted by statute to the amount of the expenditure. Accordingly the balance on the General Fund at 31 March 2009 is nil.
- 3.8.2 A specific Pension Reserve has been created to match the estimated net pension liability. The balance on this reserve at 31 March 2009 was £0.290 million (31 March 2008: £0.242 million).



# Governance

## 4.1 Board Membership

- 4.1.1 The Regional Transport Partnerships (Establishment, Membership and Constitution) (Scotland) Order 2005 largely determined the structure of the Partnership.
- 4.1.2 The Tactran Board has 10 Councillor Members; two each from Angus and Stirling councils and three each from Dundee City and Perth & Kinross councils. There were no changes in membership during 2008/09. However, at its meeting on 23 June 2009, the Tactran Board appointed Councillor Will Dawson as the Partnership's new Chair. The vacancy arose as a result of changes to Dundee City Council's representation on the Board subsequent to the year-end.
- 4.1.3 The Tactran Board also has a maximum of five non-Councillor members. They were initially appointed by the Minister for Transport from a pool of proposed candidates selected by Tactran and are subject to a formal reappointment process every two years. The non-Councillor members have either been selected for their experience and knowledge of strategic transport issues or for their close interest as relevant community partners.
- 4.1.4 At its meeting on 24 June 2008 the Tactran Board approved the appointment of the Chief Executive of NHS Tayside as Health sector representative. Following the resignation of one of the other non-Councillor members, with effect from 1 November 2008, advertisements were placed in the national press for the vacant post. The vacancy was filled on 3 February 2009 and subsequently endorsed by the Transport Minister.

- 4.1.5 The Transport Act enables RTPs to appoint Observers / Advisers to assist the work of the Partnerships. Tactran identifies appropriate Advisor support through the various Regional Stakeholder Fora it has established to assist in informing the development of the associated RTS Delivery Plan.

## 4.2 Board Meetings

- 4.2.1 The Tactran Board met six times during 2008/09, receiving and approving the 2008/09 – 2010/11 Core Revenue budgets, receiving reports, financial monitoring updates on the development of the RTS and Travel Plan Strategy and on other matters of relevance to the role and work of the Partnership.

## 4.3 Board Committees

- 4.3.1 The Partnership's Executive Committee, which comprises one member from each of the constituent Councils and one non-Councillor member, met during the year to approve proposed responses to a number of Scottish Government consultations and discuss other business delegated to it by the full Board.
- 4.3.2 The need for additional committees, in particular a separate audit and scrutiny committee, as part of establishing a wider governance framework will evolve as the Partnership develops. To date we are satisfied that relevant business has been taken to and considered by the Board.



# Governance

## 4.4 Chief Officers and Staff

4.4.1 There were no changes during the year in Chief Officer and senior staff posts.

## 4.5 Governance Framework

4.5.1 During the year the Partnership continued to develop its corporate governance documentation and policies.

4.5.2 RTPs were required to review and present a revised Publication Scheme, effective from 1 June 2009, for approval by the Scottish Information Commissioner by the end of February 2009. At its meeting on 3 February 2009 the Tactran Board approved an updated Publication Scheme for submission to the Commissioner. The development of a Records Management policy and procedures to accompany the updated Publications Scheme is underway.

## 4.6 Internal Control

4.6.1 Financial services are provided by Perth & Kinross Council including payroll, accounting, budget setting and budgetary control. A Service Level Agreement (SLA) is currently in place with the Council for payroll services. SLAs for the other services provided to Tactran are currently being developed in conjunction with relevant Council departments. It had been intended that these would all be in place by 31 December 2008 however this timescale has not been met. Some priority will need to be given to ensure that these are completed within a reasonable timescale.

4.6.2 Internal audit services are provided by the Perth & Kinross Council Internal Audit Team.

## 4.7 Fraud

4.7.1 Subsequent to the year-end Tactran's bankers identified a fraud perpetrated against the bank involving the presentation of forged cheques in May / June 2009. This has not resulted in a loss to the Partnership as monies were reimbursed by the bank. Action has been taken by Tactran management to further enhance the control environment to take account of the particular circumstances giving rise to the fraud.



## 5.1 Strategic Planning

### Regional Transport Strategy

- 5.1.1 Tactran submitted a revised RTS to the Scottish Government on 2 May 2008 and this was approved on 24 June 2008. The RTS sets out a vision and objectives for improving the region's transport infrastructure, services and facilities over the 15 years to 2023. At its meeting on 28 October 2008 the Tactran Board approved the publication of the finalised RTS and it is available for download on the Tactran website. Copies were also distributed to all members of partner Councils and to Health Boards, National Parks, Community Councils, MSPs, MPs, MEPs and other key stakeholders.
- 5.1.2 As reported last year, the Partnership endorsed the appointment of consultants to develop four RTS sub-strategies. Work on completion of these was delayed owing to a number of circumstances, including the need to develop the RTS and its sub-strategies having regard to how these can assist in achieving councils' Single Outcome Agreements (SOAs), within the evolving relationship between Central, Regional and Local Government. The sub-strategies cover Walking and Cycling; Buses; Travel Information; and Park and Ride and these were approved in Draft Final form by the Tactran Board on 24 June 2008 and issued for formal consultation with partner Councils and other key stakeholders. At its meeting on 28 October 2008 the Tactran Board approved the Final sub-strategies incorporating amendments arising from this consultation.

### Delivery Plan

- 5.1.3 We also reported last year that work was underway redefining the RTS Delivery Plan, in light of the Scottish Government / Local Government Concordat and Government Spending Review, which resulted in former RTP Capital Grant, which is not now ring-fenced, being allocated directly to constituent Councils from 1 April 2008. A Draft Delivery Plan was submitted for consideration by the Partnership on 28 October 2008. Following consultation with constituent Councils the Partnership agreed on 10 March 2009 to review the Delivery Plan, in light of the outcome of Council Budget and funding decisions which resulted in only partial commitment of the funding necessary to deliver the proposed Delivery Plan Programme. In particular, this has had an impact on the delivery of regional projects, which rely on funding from all constituent Councils. A Finalised Delivery Plan was submitted for approval by the Partnership at its meeting on 23 June 2009.
- 5.1.4 It was noted from review of the minutes of the March 2009 Tactran Board meeting that members expressed concern and disappointment that two of the constituent Councils had declined the Partnership's request to contribute shared funding towards the delivery of priorities agreed by the Partnership, as identified within the Draft Delivery Plan. It was suggested that this placed a serious constraint on the Partnership's ability to deliver the RTS and associated Delivery Plan and had implications for the effective operation of the Partnership. It was noted that new approaches to delivery funding would require to be discussed with constituent Councils and other potential partners and that consideration of alternative funding options was being discussed by the RTP Chairs Forum and with CoSLA. This is a key risk area that Board members will need to continue to monitor closely.

## 5.1 Strategic Planning (Cont'd)

### Travel Plan Strategy and Action Plan

5.1.5 Travel plan and sustainable travel related initiatives continued during the year in line with the National Transport Strategy and Regional Transport Strategy Objectives. Progress to date is summarised below:

- ❑ Tactran has continued to monitor the progress of travel plans across the region, through regular Sustainable Travel Liaison Group reporting meetings. Tactran intends to encourage use of the Scottish Government's travel plan monitoring tool when available
- ❑ Tactran's Travel Plan Officer has worked in conjunction with local authorities, health boards and universities to implement travel plan measures and develop best practice case studies in the form of a DVD and hard copies
- ❑ Working relationships with local authorities and neighbouring Transport Partnership Travel Plan Officers have been well established through working groups. Regular meetings have recommenced for ACT Travelwise Scotland of which Tactran's Travel Plan Officer is Chair
- ❑ Tactran's Travel Plan Liaison Group is comprised of local authority, health board and university representatives and there are plans to widen this group in 2009/10. This has ensured a seamless approach to travel planning in the region and has allowed for partnership working in the form of jointly funded initiatives
- ❑ Tactran continued its Sustainable Travel Grant Scheme in 2008/09 which allocated £40,000 of funding towards match funded and non-match funded initiatives for local authorities, health boards and universities. The grant was fully allocated with positive schemes implemented across the region
- ❑ Tactran allocated additional 'Smarter Choices' funding to local authorities in 2008/09. The sum of £63,000 was used to implement both large and small scale travel planning projects across the region which will actively encourage more sustainable, active travel choices to employees and the general public
- ❑ Tactranliftshare has continued to grow and currently has over 2,500 active users
- ❑ Travel Planning is a key element of Tactran's RTS, which relates to Delivering Environmental Sustainability, Health and Well-being. These include:
  - Working with local authorities and developers to ensure that development proposals include travel plans that maximise the potential for walking, cycling, public transport and other sustainable travel choices, including through continued use of planning agreements
  - Taking a lead in the promotion and development of active travel plans at major centres of employment, hospitals and other main health establishments, in partnership with Councils, Health Boards and private sector

# Performance

## 5.1 Strategic Planning (Cont'd)

- Promoting a range of SMART measures, including travel plans, travel awareness campaigns, high quality travel information, region-wide car sharing schemes, cycling and walking infrastructure and initiatives, development of tele-working etc.
- Tactran is working in liaison with the Scottish Government and other sustainable travel organisations to ensure best practice and share knowledge and policy development. Additionally, Tactran is continually looking towards working with public bodies to ensure best practice and a seamless approach towards sustainable travel initiatives

## 5.2 Performance Management

- 5.2.1 Ongoing performance management is undertaken via a framework that involves Tactran officers and members of the Tactran Board. Regular progress updates in relation to the RTS and Travel Plan Strategy and Revenue and Capital Programmes are provided at meetings of the Tactran Board.
- 5.2.2 The Transport (Scotland) Act 2005 requires that RTPs publish and submit to Scottish Ministers an annual report on the performance of their functions. Tactran's Annual Report for 2007/08 was approved for submission to Scottish Ministers and for general publication at the Tactran Board meeting on 28 October 2008.

- 5.2.3 At its meeting on 23 June 2009 the Tactran Board approved a monitoring framework that will form the basis of statutory Annual Reports on the development and delivery of the RTS. The proposed Framework addresses each RTS Objective and Sub-Objective in turn and defines Performance Indicators (PIs) along with the means of measuring them. The proposed PIs have been developed to ensure that they have the ability to link with evolving SOA indicators and their respective monitoring frameworks. They also seek to reflect Scottish Government's priority indicators of SOA contributions towards relevant national transport outcomes, which relate to: reducing traffic congestion; increasing the proportion of journeys made by public or active transport; increasing the proportion of cycling and walking journeys to school; and reducing numbers killed and seriously injured in road accidents. Further work will be undertaken during 2009/10 to establish SMART targets.

## 5.3 Risk Management

- 5.3.1 Tactran's Financial Regulations require the Treasurer to assess the risks faced by the Partnership and, in consultation with the Partnership Director, maintain a risk register that includes an assessment of the importance and likelihood of each eventuality and the most appropriate course of action in each case.
- 5.3.2 The Partnership Director and other Tactran professional officers are required to promptly inform the Treasurer of any new risks within their area of responsibility that may come to light.



# Appendix I - Respective Responsibilities

## Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both Members and Officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Tactran Board and the Treasurer's responsibilities for the Statement of Accounts are set out on page 29 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and report that opinion to you.

We are required to review whether the Partnership's Statement on the System of Internal Financial Control reflects compliance with the 2008 SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of Tactran's corporate governance procedures or its risk and control procedures.

