

## **Proposed 2024/25 Annual Audit Report**

### **1. Introduction**

- 1.1** The Independent Auditor's Annual Report summarises the findings arising from the Partnership's 2024/25 external audit.

### **2. Main Report**

- 2.1** The unaudited Annual Accounts were noted by the Partnership at its meeting on 20th June 2025 and submitted to the appointed external auditor – Audit Scotland.

- 2.2** Audit work on the 2024/25 annual accounts is completed.

- 2.3** The Proposed 2024/25 Annual Audit Report is appended along with the proposed Independent Auditor's Report and Letter of Representation.

- 2.4** The key messages are noted on page three of the Annual Audit Report. The key messages are:

- 2.4.1** all audit opinions stated that the annual accounts were free from material misstatement;

- 2.4.2** Audit Scotland reported one significant finding from the audit relating to the disclosure of assets. All audit adjustments required to correct the financial statements were processed by the Partnership;

- 2.4.3** The Partnership has appropriate arrangements in place for securing financial sustainability, but should consider improving its medium-term plans by extending these to future years.

### **3 Recommendations**

- 3.1** It is recommended that the Performance and Audit Committee note the Proposed Annual Audit Report.

**Richard Lloyd-Bithell**

Treasurer

5th September 2025

### **Appendix**

1. Proposed 2024/25 Annual Audit Report  
2. Proposed Independent Auditor's Report and Letter of Representation

### **Contact**

[iain.shaw@edinburgh.gov.uk](mailto:iain.shaw@edinburgh.gov.uk)

Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications as a consequence of this report.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

# South East Scotland Transport Partnership

Proposed 2024/25 Annual Audit Report



Prepared for SEStran and the Controller of Audit  
September 2025

---

# Contents

---

Key messages	3
Introduction	4
Audit scope and responsibilities	5
Audit of the annual accounts	7
Financial Sustainability and Best Value audit	14
Appendix 1	17
Appendix 2	20

---

## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

---

# Key messages

---

## Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 We have reported one significant finding from the audit relating to the disclosure of assets. All audit adjustments required to correct the financial statements were processed by the partnership.

## Financial Sustainability

- 3 SEStran has appropriate arrangements in place for securing financial sustainability, but should consider improving its medium-term plans by extending these to future years.

---

# Introduction

---

## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of South East Scotland Transport Partnership's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to South East Scotland Transport Partnership, hereafter referred to as 'SEStran' or 'the partnership' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

## Appointed auditor and independence

3. Christopher Gardner, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, the appointed auditor and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank the body and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

---

# Audit scope and responsibilities

---

## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Concluding on the financial sustainability of the body.
- Reporting on the body's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the body's arrangements in place for the wider scope areas and Best Value.

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

**9.** The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

## The body's responsibilities

**10.** The body has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements that give a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

## National and performance audit reporting

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the partnership's board. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).



# Audit of the annual accounts

## Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

We have reported one significant finding from the audit relating to the disclosure of assets. All audit adjustments required to correct the financial statements were processed by the partnership.

## Audit opinions on the annual accounts

**12.** The body's annual accounts were approved by the partnership board on **26 September 2025** and certified by the appointed auditor on the same day. The Independent Auditor's Report is included in the body's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## Audit timetable

**13.** The unaudited annual accounts and all working papers were received on 13 June 2025 in accordance with the agreed audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £12,800. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

**15.** The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

**16.** Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

**17.** Materiality levels for the body were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

**Exhibit 1**  
**2024/25 Materiality levels for SEStran**

Materiality	Amount
<b>Materiality</b> – set at 1.5% of gross expenditure	£94,000
<b>Performance materiality</b> – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£61,000
<b>Reporting threshold</b> – set at 5% of materiality.	£5,000

Source: Audit Scotland

**Significant findings and key audit matters**

**18.** ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the body is the partnership board.

**19.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**20.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

**21.** The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2  
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p><b>Derecognition of non-current assets</b></p> <p>In response to our audit recommendation last year, SEStran management completed a review of the organisation’s physical assets (“non-current assets”) and in March 2025 the partnership board approved a new asset management strategy.</p> <p>This included reviewing the accounting policies, improving the asset register to provide a more direct link to the accounts, ensuring items were tagged, and a physical inspection of assets to assess their condition and existence.</p> <p>The review resulted in the derecognition of a total of 320 assets with a gross book value of £0.476 million which were either obsolete, damaged or previously disposed of. This included such items as older ticket machines and computer equipment.</p> <p>The initial draft of the accounts presented to audit did not contain a disclosure derecognising these assets. Furthermore we found there was a lack of documentation relating to disposal of assets.</p>	<p>It is positive that the partnership has made steps to ensure its records are accurate. As the derecognised assets had reached the end of their useful life and had already been fully depreciated, this had no effect on the balance sheet as their accounting value was effectively nil.</p> <p>However, all disposals of non-current assets, regardless of value, should be subject to oversight and approval. SEStran has a responsibility to ensure that its assets are disposed of in a transparent and sustainable way.</p> <p>The partnership should improve its processes and documentation around the disposal of assets. In addition, given the complex accounting requirements around non-current assets, management should ensure sufficient co-ordination and advice is sought from its finance partners.</p> <p><b>Recommendation 1</b></p>

Source: Audit Scotland

22. . In addition to our finding in [Exhibit 2](#) above, we identified two further issues. These were:

- **Awarding of grants** - At the start of the year, SEStran held two panel meetings to approve project awards, one for local authorities and one for other organisations. Our review of expenditure relating to People and Place grants noted that panel meetings for local authorities were not minuted or documented. We found all approvals were made in line with standing orders, however we recommend that all decision panel meetings are documented and recorded.
- **Bank reconciliation** - The partnership operates a bank account primarily for the receipt of funding, while routine financial transactions are administered through the City of Edinburgh's financial ledger system. A reconciliation process takes place at regular intervals to

ensure ledger transactions correctly reflect bank activity. The control environment would be enhanced by incorporating a summary sheet that documents the individual responsible for performing the reconciliation and the date it was completed. Additionally, including a formal statement of reconciliation would provide a clear record of compliance and strengthen the audit trail. This measure ensures that the partnership's accounting records are consistent with the bank's records and supports the timely identification of unauthorised transactions, duplicate payments, or potential misappropriations.

### **Qualitative aspects of accounting practices**

**23.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

#### **Accounting policies**

**24.** The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting 24/25.

#### **Accounting estimates**

**25.** Accounting estimates are used in number of areas in the body's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

### **Audit adjustments**

**26.** Management of the body processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no corrected misstatements to report. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material.

## **Significant risks of material misstatement identified in the Annual Audit Plan**

**27.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit , \(page 12\)](#).

**Exhibit 3****Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
<p><b>Fraud caused by management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul>	<p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• The design of controls over journal processing were appropriate and these were implemented as intended.</li> <li>• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>• No significant issues were identified from testing of journal entries.</li> <li>• No significant issues were identified from transactions outside the normal course of business.</li> <li>• The controls in place for identifying and disclosing related party relationships and transactions were adequate.</li> <li>• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.</li> </ul> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p>

Risk of material misstatement	Planned audit response	Outcome of audit work
<p><b>2. Risk of material misstatement caused by fraud in expenditure</b></p> <p>The Code of Audit Practice expands the consideration of fraud under ISA (UK) 240 to include the risk of fraud over expenditure. There is a risk that expenditure may be materially misstated in the 2024/25 financial statements due to the significant extent and nature of SEStran's project and grant-related expenditure streams .</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• Test expenditure transactions, focusing on the areas of greatest risk, including grant awards.</li> <li>• Review of budget monitoring reports, focusing on significant budget variances.</li> <li>• Review of arrangements in place to prevent and detect fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Our testing of expenditure did not identify any instances of fraud.</li> <li>• We reviewed budget monitoring reports that are presented at each committee meeting. We concluded that financial management reporting is accurate and appropriate.</li> </ul> <p><b>Conclusion:</b> We did not identify any instances of fraud.</p>
<p><b>3. Accounting for non-current assets</b></p> <p>SEStran owns a significant number of non-current assets which are disclosed on the entity's balance sheet. The measurement, valuation and disclosures of these material balances require significant accounting estimates and judgement. Management is reviewing its processes for recording and managing assets, including undertaking a review of policies and procedures.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• Evaluate SEStran's arrangements for the valuation and accounting disclosures of non-current assets.</li> <li>• Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required.</li> <li>• Test non-current asset entries to confirm the existence of assets and the completeness of the asset register.</li> </ul>	<ul style="list-style-type: none"> <li>• We evaluated the arrangements for the valuation and disclosure of non-current assets. Our findings and conclusions are contained in <a href="#">Exhibit 2</a>.</li> </ul>

Source: Audit Scotland

## Prior year recommendations

**28.** The body has made good progress in implementing the agreed prior year audit recommendations, refer [Appendix 1](#).

---

# Financial Sustainability and Best Value audit

---

## Conclusion

SEStran has appropriate arrangements in place for securing financial sustainability, but should consider improving its medium-term plans by extending these to future years.

## Audit approach to wider scope and Best Value

### Wider scope

**29.** The Annual Audit Plan reported the body was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the body.

### Best Value

**30.** Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which the body does.

**31.** Consideration of the arrangements the body has in place to secure Best Value have been carried out alongside the wider scope audit.

## Conclusions on Financial Sustainability

**32.** The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the partnership:

- making appropriate arrangements to develop medium-term financial plans.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.



**33.** The partnership receives most of its funding from the Scottish Government via Transport Scotland, and requisitions from constituent council members. It approved its initial 2024/25 budget in March 2024, setting out total revenue expenditure of £1.226 million (2023/24: 1.738 million). Subsequently, SEStran was awarded an additional £5.326 million of funding from Transport Scotland for its People and Place Programme, representing a significant increase in the partnership's activity and overall expenditure. The funding is intended to enable the delivery of projects which would increase rates of active travel (walking, wheeling and cycling). This consisted of an additional £1.9 million of revenue, and £3.412 million capital expenditure.

**34.** The partnership has reported a net underspend in its core revenue budget of £0.086 million in 2024/25. The core budget relates to the day-to-day running costs of the partnership, such as staff and premises costs. On its projects budget, it incurred costs of £5.197 million, reporting an overall underspend of £0.264 million.

**35.** Of the actual underspend on projects, the majority (£0.207m) is due to slippage amongst four projects: Regional Bus Strategy (£0.122m), GoSEStran (£0.039m), Go eBike (£0.026m), and Sustainable Travel Awareness (£0.025m). Management reported in June that work was ongoing to ensure the full and realistic allocation of project budgets for 2025/26 with a view to eliminating the underspend. A projects and strategy performance report is produced quarterly and is scrutinised by the board's performance and audit committee.

### **Funding for People and Place has increased in 2025/26**

**36.** The budget for 2025/26 was agreed in March 2025, setting out total revenue expenditure of £7.426 million. Of this, £6.369 million of funding will be provided for the People and Place Programme, an increase of 20% (£1.043 million) from the previous year.

**37.** The partnership recognises a risk around future financial sustainability. Assumptions in its financial plan include future pay awards, inflation and reductions in grant funding. The partnership mitigates these risks through budget monitoring, recruitment control and seeking external funding opportunities that align with their purpose. The partnership has an agreed reserves policy which includes a minimum unallocated General Fund reserve based on 5% of the core revenue budget.

### **Financial planning should consider a longer timeframe**

**38.** SEStran has an indicative financial plan for the year 2026/27 which is based on indicative projects activity, provides for estimated costs and build in scenario planning. Although we have not identified a specific risk to financial sustainability, it is important that the partnership has appropriate financial planning in place to ensure it can achieve its priorities and improve resilience. This is particularly important as the partnership's budget and activity increases.

**39.** The partnership could improve its financial planning by considering medium-term projections beyond the following financial year, linked to business plan and strategic priorities. As SEStran's financial function is delivered through the City of Edinburgh, further strengthening this strategic link with its finance department may improve coordination, improve financial oversight and support more integrated planning and decision-making.

## Recommendation 2

The partnership should improve its financial planning by considering medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities.

## Arrangements for achieving Best Value

**40.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**41.** Procurement decisions are important to securing best value, and the partnership's governance scheme sets out processes which aim to contribute to the achievement of best value in procuring goods and services. The partnership's risk register also recognises the risk of not being able to achieve best value.

**42.** SEStran's previous three-year business plan format did consider delivery of best value responsibilities as part of the partnership's 2021-24 business plan strategic 'governance' objective. It will be important for the partnership to consider and demonstrate how it assesses compliance against the Scottish Government's Best Value themes.

# Appendix 1

## Action plan 2024/25

### 2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<b>1. Derecognition of non-current assets</b> SEStran has undertaken a review of its non-current asset register and overall asset strategy. Our audit identified further improvements could be made to provide a robust audit trail for all disposals of non-current assets.	The partnership should improve its processes and documentation around the disposal of assets. In addition, given the complex accounting requirements around non-current assets, management should ensure sufficient co-ordination and advice is sought from its finance partners.	<b>Accepted</b> The Asset Management Policy will be amended to include a requirement for recommendations for the derecognition of specific assets to be approved by the Partnership Director before they can be removed from the asset register. <b>Partnership Director</b> December 2025
<b>2. Financial planning</b> it is important that the partnership has appropriate financial planning in place to ensure it can achieve its priorities and improve resilience. This is particularly important as the partnership's budget and activity increases.	The partnership should improve its financial planning by considering medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities.	<b>Accepted</b> The financial planning horizon will be extended from 2 years to a longer period. The exact details will be agreed internally and submitted to the Partnership Board for approval as part of a new Financial Planning procedure. <b>Finance / Partnership Director</b> December 2025

## Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>1. Accounting for non-current assets</b></p> <p>Our review of the asset register and corresponding entries in the 2023/24 unaudited accounts found a number of material errors. There is a risk that accounting records for non-current assets are not accurate or adequately maintained.</p>	<p>SEStran should undertake a full review of its asset management procedures, ensuring that the asset register fully reflects the assets in use. The partnership should:</p> <ul style="list-style-type: none"> <li>• Review and update the accounting policy for non-current assets in line with Code requirements.</li> <li>• Improve the asset register to provide a direct link to the disclosures in the accounts.</li> <li>• Ensure that that physical items are appropriately tagged to create a direct link between the register and the asset.</li> <li>• Ensure that impairment reviews are carried out on a regular basis, including physical inspection of assets.</li> <li>• Review the useful life of all assets annually to assess if a change in estimate is required.</li> </ul> <p><b>Agreed action:</b></p> <p>SEStran will devise an Asset Management Strategy and submit it for approval at the Partnership's Board in March 2025.</p> <p>The strategy, which will address all of the points raised by the auditors, will be fully implemented immediately following approval. However, many of the actions emerging as part of the strategy will be implemented prior to the financial year end.</p> <p><b>Responsible officer:</b> Partnership Director</p> <p><b>Target date:</b> Strategy approved by end March 2025 and fully implemented by June 2025</p>	<p><b>Implemented</b></p> <p>The partnership has made significant positive steps to ensure its records are accurate. We have made further recommendations in our 2024/25 audit report relating to the derecognition and disposal of assets.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>2. Improvements to the audit process</b></p> <p>We experienced a delay to the completion of our audit due to late receipt of documentation. We identified that finance staff are under pressure due to competing priorities.</p>	<p>We recommend that management ensures there is sufficient capacity in finance to support timely responses to audit requests. The partnership and the finance team responsible for compiling the annual accounts, based at City of Edinburgh Council, should work closely together to ensure that the substance of transactions, particularly those involving capital expenditure and assets, is accurately reflected in the accounts.</p> <p><b>Agreed action:</b></p> <p>Confirmation on 12 April 2024 of a delay in commencement of the external audit was a contributory factor to the capacity issues experienced during the course of the external audit, with work plans and resource availability already fixed by this date.</p> <p>In light of the issues experienced on the 2023/24 external audit, a review of resource availability will be undertaken in advance of the 2024/25 external audit.</p> <p><b>Responsible officer:</b> Partnership Director/ Treasurer</p> <p><b>Target date:</b> 31 March 2025</p>	<p><b>Implemented</b></p> <p>SEStran officers and finance team were available for audit queries and evidence was provided promptly.</p> <p>It is important the partnership and the finance team, based at City of Edinburgh Council, continues to work closely together to ensure that the substance of transactions, particularly those involving capital expenditure and assets, is accurately reflected in the accounts.</p>

# Appendix 2

## Supporting national and performance audit reports

Report name	Date published
<a href="#">Local government budgets 2024/25</a>	15 May 2024
<a href="#">Scotland's colleges 2024</a>	19 September 2024
<a href="#">Integration Joint Boards: Finance and performance 2024</a>	25 July 2024
<a href="#">The National Fraud Initiative in Scotland 2024</a>	15 August 2024
<a href="#">Transformation in councils</a>	1 October 2024
<a href="#">Alcohol and drug services</a>	31 October 2024
<a href="#">Fiscal sustainability and reform in Scotland</a>	21 November 2024
<a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>	26 November 2024
<a href="#">NHS in Scotland 2024: Finance and performance</a>	3 December 2024
<a href="#">Auditing climate change</a>	7 January 2025
<a href="#">Local government in Scotland: Financial bulletin 2023/24</a>	28 January 2025
<a href="#">Transparency, transformation and the sustainability of council services</a>	28 January 2025
<a href="#">Sustainable transport</a>	30 January 2025
<a href="#">A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study</a>	20 February 2025
<a href="#">Additional support for learning</a>	27 February 2025
<a href="#">Integration Joint Boards: Finance bulletin 2023/24</a>	6 March 2025
<a href="#">Integration Joint Boards finances continue to be precarious</a>	6 March 2025
<a href="#">General practise: Progress since the 2018 General Medical Services contract</a>	27 March 2025
<a href="#">Council Tax rises in Scotland</a>	28 March 2025

# South East Scotland Transport Partnership

Proposed 2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 **Email: [info@audit.scot](mailto:info@audit.scot)**  
**[www.audit.scot](http://www.audit.scot)**

4th Floor, The  
Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

T: 0131 625 1500  
E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



## Performance and Audit Committee

**12 September 2025**

### The South East of Scotland Transport Partnership

#### Audit of 2024/25 annual accounts

##### Independent Auditor's Report

1. My audit work on the 2024/25 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review, I anticipate being able to issue unmodified audit opinions in the Independent Auditor's Report on 26 September 2025. The proposed Independent Auditor's Report is attached at [Appendix A](#).

##### Annual Audit Report

2. Under International Standards on Auditing in the UK (ISA (UK)), I am required to report specific matters identified from the audit of the annual accounts to those charged with governance of The South East of Scotland Transport Partnership (SEStran) in sufficient time to enable appropriate action. For SEStran, those charged with governance is the Performance and Audit Committee. I present for the committee's consideration my draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

3. The Annual Audit Report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. The Annual Audit Report will be issued in final form after the audit of the annual accounts has been completed.

##### Uncorrected misstatements

5. I also report to those charged with governance all uncorrected misstatements in the annual accounts which I have identified during the course of my audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. There are no uncorrected misstatements to report.

##### Other ISA (UK) matters

7. In presenting this letter and the Annual Audit Report to the Performance and Audit Committee, I seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,



- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,
- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

**8.** Any issues that I have identified from my audit in relation to other ISA (UK) matters that I am required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

### **Representations from the Section 95 Officer**

**9.** As part of the completion of the audit, I am seeking written representations from the Treasurer, who is the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

**10.** A draft letter of representations is attached at [Appendix B](#). This should be signed and returned to me by the Section 95 Officer with the signed annual accounts prior to the Independent Auditor’s Report being signed.

## Appendix A: **Proposed** Independent Auditor's Report

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

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of The South East of Scotland Transport Partnership for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- 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.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 03 April 2023. my period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard was not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Treasurer and The South East of Scotland Transport Partnership for the financial statements**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The South East of Scotland Transport Partnership is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities for the Annual Accounts and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Christopher Gardner FCPFA,  
Audit Scotland,  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Date:

**Appendix B: Letter of Representations (ISA (UK) 580) – TO BE  
REPRODUCED ON SESTRAN OR CEC HEADED PAPER, SIGNED BY RLB AS  
TREASURER**

Christopher Gardner,  
Senior Audit Manager Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

Dear Christopher,

**South East of Scotland Transport Partnership**

**Annual accounts 2024/25**

This representation letter is provided in connection with your audit of the annual report and accounts of South East of Scotland Transport Partnership, hereafter referred to as SEStran, for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Remuneration Report, Management Commentary, and Annual Governance Statement.

I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of SEStran's annual accounts for the year ended 31 March 2025.

**General**

I have fulfilled my responsibilities for the preparation of the 2024/25 annual accounts as set out in your 2024/25 Annual Audit Plan. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by SEStran have been recorded in the accounting records and are properly reflected in the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. As you have reported, there are no uncorrected misstatements.

**Financial Reporting Framework**

The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 Code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and the Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, I have ensured that the financial statements give a true and fair view of the financial position of SEStran at 31 March 2025 and the transactions for 2024/25.

## Accounting Policies and Estimates

All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 Code, where applicable. Where the 2024/25 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to SEStran's circumstances and have been consistently applied.

The methodology, significant assumptions, and data used in making accounting estimates are reasonable, and have been properly reflected and disclosed in the financial statements in accordance with the 2024/25 Code. Judgements made in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

I have assessed SEStran's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on SEStran's ability to continue to adopt the going concern basis of accounting.

## Assets

All assets at 31 March 2025 of which I am aware have been reported in the financial statements.

I carried out an assessment at 31 March 2025 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified in the financial statements.

I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2025.

There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised in the financial statements.

Owned assets are free from any lien, encumbrance, or charge, except as disclosed in the financial statements.

The pension assumptions made by the actuary in the IAS 19 report for SEStran have been reviewed and I confirm that they are consistent with management's own view.

## Liabilities

All liabilities at 31 March 2025 of which I am aware have been reported in the financial statements.

**11.** Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2025 of which I am aware where the conditions specified in IAS 37, as adapted by the 2024/25 Code, have been met.

The accrual recognised in the financial statements for annual leave untaken by 31 March 2025 has been estimated on a reasonable basis.

There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Contingent Liabilities**

There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts.

## **Litigation and Claims**

All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2024/25 Code.

## **Fraud**

I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud,
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 Code. I have made available to you the identity of all of SEStran's related parties and all the related party transactions of which I am aware.

## **Remuneration Report**

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management Commentary**

29. I confirm that the Management Commentary has been prepared in accordance with statutory guidance, and the information is consistent with the financial statements.



## **Corporate Governance**

30. I confirm SEStran has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in *Delivering Good Governance in Local Government: Framework 2016*. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

31. I confirm that the Annual Governance Statement has been prepared in accordance with the *Delivering Good Governance in Local Government: Framework 2016* and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2025 which require to be reflected in the Annual Governance Statement or annual accounts.

## **Events Subsequent to the Date of the Balance Sheet**

All events subsequent to 31 March 2025 for which IAS 10, as adopted by the 2024/25 Code, requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Richard Lloyd-Bithell

Treasurer, SEStran

Date: