Performance and Audit Committee
Friday 11th September 2026
Item 5 External Auditor Annual Report 2025-2026

External Auditor Annual report 2025-2026

1. Introduction

1.1 The Independent Auditor's Annual Report summarises the findings arising from the Partnership's 2025/26 external audit.

2. Main Report

2.1 The unaudited Annual Accounts were noted by the Partnership at its meeting on 19th June 2026 and submitted to the appointed external auditor – Audit Scotland.

2.2 Audit work on the 2025/26 annual accounts is completed.

2.3 The Proposed 2025/26 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 no significant findings or key audit matters to report. 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. It has developed longer-term financial plans and forecasts balanced budgets until 2028/29.

2.4.4 The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets.

3 Recommendations

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

Appendix	1.Proposed 2025/26 Annual Audit Report 2.Proposed Independent Auditor's Report and Letter of Representation
Contact	Thomas.Stokes@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.

Appendix 1

South East Scotland Transport Partnership

2025/26 Annual Audit Report

AUDIT SCOTLAND

Prepared for SEStran and the Controller of Audit
September 2026

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Summary of audit opinions and conclusions

Audit of the annual accounts

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

2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by SEStran.

Financial Sustainability and Best Value audit

3 SEStran has appropriate arrangements in place for securing financial sustainability. It has developed longer-term financial plans and forecasts balanced budgets until 2028/29.

4 The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 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 SEStran 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 SEStran 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 SEStran, including no provision of non-audit services.

Acknowledgements

4. We would like to thank SEStran and its staff, particularly those involved in the 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, responsibilities, and fee

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 SEStran and a review of the Annual Governance Statement.
- Reporting on SEStran's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of SEStran 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 SEStran'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 SEStran 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 responsibilities of SEStran

10. SEStran 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.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £13,360. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National and performance audit reporting

12. 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.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by SEStran.

Audit opinions on the annual accounts

13. SEStran's annual accounts were approved by the partnership board on 25 September 2026. The Independent Auditor's Report is included in SEStran's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

14. The unaudited annual accounts and all working papers were received on 1 June 2026 in accordance with the agreed audit timetable.

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 SEStran 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
2025/26 Materiality levels for SEStran

Materiality	Amount
Materiality – set at 2% of gross expenditure	£157,000
Performance materiality – 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.	£102,000
Reporting threshold – set at 5% of materiality.	£7,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged with governance, which for SEStran 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. There are no significant findings or key audit matters to report. We did, however, identify a number of presentation and accounting adjustments which management agreed to adjust in the accounting statements. These include:

- **Presentation of overall financial performance** – The information within the Management Commentary should provide a clear and accessible picture of financial performance against approved budgets and planned targets. On our recommendation, the management commentary was revised to clearly highlight SEStran's overall net expenditure position.

- **Classification of liability** – Our testing identified that a contribution of £138,000 received in advance had been incorrectly presented on the balance sheet. The balance should have been classified as a short-term creditor. This was corrected in the audited financial statements.
- **Restatement of asset balances** – As part of management's ongoing review of asset records, the prior year figure for derecognised assets was revised from £476,000 to £408,000. We reviewed the supporting evidence and are satisfied the restatement is appropriately reflected in the financial statements.
- **'Holding' account –** The partnership operates a bank account primarily for the receipt of funding, while routine financial transactions eg payments to suppliers are administered through the City of Edinburgh's financial ledger system. As the partnership relies on City of Edinburgh to pay suppliers, there was no straightforward audit trail linking payments from the holding account to individual supplier transactions.

Recommendation 1

We recommend the partnership explores ways to improve the audit trail for payments from its holding account to be able to readily identify supplier details.

Qualitative aspects of accounting practices

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

Accounting policies

23. The appropriateness of accounting policies adopted by SEStran was assessed as part of the audit. These were considered to be appropriate to the circumstances of SEStran, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting 25/26.

Accounting estimates

24. Accounting estimates are used in number of areas in SEStran's financial statements, including the estimation of the useful life of assets and the valuation of the pension liability. Audit work considered the process management SEStran 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.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail or clarification identified in areas such as the management commentary and remuneration report.

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 uncorrected misstatements to report.

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 3, (page 11).

Exhibit 3
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No transactions outside the normal course of business were identified. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • 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. **Conclusion:** no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud in expenditure recognition 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 2025/26 financial statements due to the significant extent and nature of SEStran's project and grant-related expenditure streams.	The audit team will: • Test expenditure transactions, focusing on areas of greatest risk, including grant awards. • Review of budget monitoring reports, focusing on significant budget variances. • Review of arrangements in place to prevent and detect fraud.	Audit work performed found: • No instances of fraud in the expenditure testing. • Financial management reporting is accurate and appropriate from reviewing budget monitoring reports presented at committee meetings. **Conclusion**: no evidence of fraud in expenditure recognition
Accounting for non-current assets SEStran holds several non-current assets which are disclosed on its balance sheet. The measurement, valuation and related disclosures for these assets involve the use of accounting estimates and professional judgement.	The audit team will: • Evaluate SEStran's arrangements for the valuation and accounting for non-current assets. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process and challenge these where required. • Test non-current asset entries to confirm existence of assets and the completeness of the asset register.	Audit work performed found: • Arrangements for the valuation and accounting of non-current assets was appropriate. • Assumptions used in valuation were reasonable. • No issues with the existence of assets or the completeness of the asset register. **Conclusion:** accounting for non-current assets was appropriate.

Source: Audit Scotland

Prior year recommendations

28. SEStran has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with SEStran and are outlined in Appendix 1.

Financial Sustainability and Best Value audit

Conclusion

SEStran has appropriate arrangements in place for securing financial sustainability. It has developed longer-term financial plans and forecasts balanced budgets until 2028/29.

Audit approach to wider scope and Best Value

Wider scope

29. The Annual Audit Plan reported SEStran 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 SEStran.

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 SEStran does.

31. Consideration of the arrangements SEStran 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 SEStran has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by SEStran:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- 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.

Conclusions on Financial Sustainability

33. The partnership receives most of its funding from the Scottish Government via Transport Scotland, and requisitions from constituent council members. 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 was initially budgeted for the People and Place Programme, an increase of 20% (£1.043 million) from the previous year.

34. The partnership has reported a net underspend in its core revenue budget of £0.022 million in 2025/26. The core budget relates to the day-to day running costs of the partnership, such as staff and premises costs.

35. On its projects budget, it incurred costs of £6.801 million against income of £6.534 million, representing overall net expenditure of £0.267 million.

The partnership has developed longer-term financial plans and forecasts a balanced budget for future years

36. In 2024/25, we recommended that 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.

37. SEStran now has an indicative financial plan for 2027/28 to 2028/29, the most recent of which was presented to the March 2026 board. Total budgeted expenditure for 2026/27 was set at £9.952 million, split by:

- Core plus projects – £1.008 million
- People and Place Programme – £6.356 million
- Transport Employment Programme - £2.588 million

38. SEStran holds an unallocated General Fund reserve of £0.243 million and projects a balanced budget for both 2027/28 and 2028/29. These projections are based on planning assumptions that project funding will continue to support core costs and reflects assumptions around annual pay awards, efficiency savings and increases in constituent council requisitions. The achievement of the projected financial position will require these assumptions to be closely monitored and kept under review.

Arrangements for securing Best Value

39. The Scottish Government has set out guidance to help public bodies to demonstrate securing Best Value and continuous improvement in their performance. The guidance sets out the key characteristics of best value and to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.

40. 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.

41. In assessing SEStran's arrangements to secure Best Value, we have drawn on our work on financial sustainability and considered the partnership's arrangements in the context of its size and nature. SEStran has strengthened its approach to longer-term financial planning in response to a recommendation made in our prior year annual audit report, demonstrating a commitment to continuous improvement.

42. To further enhance its ability to evidence Best Value, the partnership should strengthen its performance management framework by developing clear performance measures and targets, and systematically reporting performance against its strategic objectives and areas of activity. The management commentary in the accounts should provide an overview of relevant indicators to demonstrate how its interventions and activity is making a difference.

Recommendation 2

The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets. These should clearly demonstrate progress against the 2035 Regional Transport Strategy and the partnership's strategic priorities.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Holding Account The partnership operates a bank account primarily for the receipt of funding, while routine financial transactions are administered through the City of Edinburgh Council's financial ledger system. As the partnership relies on City of Edinburgh Council to pay suppliers, there was no straightforward audit trail linking payments from the holding account to individual supplier transactions.	We recommend that the partnership explores ways to improve the audit trail for payments from its holding account to be able to readily identify suppliers.	**Accepted** We agree to explore ways to improve the audit trail with the City of Edinburgh Council, and where achievable and cost effective, make improvements. Responsible officer – Finance. Agreed date – by 31 December 2026.
2. Performance indicators There is scope to improve the management commentary to provide a clearer overview of performance during the year and be supported by performance indicators including financial and non-financial information.	The performance information reported within the annual accounts should be improved by developing and reporting a suite of meaningful performance indicators and associated targets. These should clearly demonstrate progress against the Regional Transport Strategy and the partnership's strategic priorities.	**Accepted** As part of the 2027/28 business planning process, SEStran will develop key performance indicators to demonstrate progress against the Regional Transport Strategy and wider strategic priorities. These will be reported on from the 2027/28 year, but retrospective reporting may be possible on some of these for 2026/27 Responsible officer – Partnership Director. Agreed date – 31 March 2027.

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. **Derecognition of non-current assets** 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 sough from its finance partners. **Agreed action:** 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. **Responsible officer:** Partnership Director **Target date:** December 2025	**Implemented** The partnership has updated their Asset Management Policy and approval of the Partnership Director is now required before an asset can be removed from the asset register. This is evidenced by a signed Asset Derecognition Form for each asset removed from the register.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. **Financial planning** It is important that the partnership has appropriate financial planning in place to ensure it can achieve it 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 the medium-term projections beyond the following financial year, and link this to its business plan and strategic priorities. **Agreed action:** 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. **Responsible officer:** Finance/Partnership Director **Target date:** December 2025	**Implemented** An Indicative Financial Plan covering 3 years and an updated Financial Planning Procedure was approved at the December 2025 partnership board meeting.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026

South East Scotland Transport Partnership

2025/26 Annual Audit Report

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Appendix 2

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AUDIT SCOTLAND

Performance and Audit Committee

11 September 2026

The South East of Scotland Transport Partnership

Audit of the 2025/26 annual accounts

Independent Auditor's Report

1. My audit work on the 2025/26 annual accounts is now substantially complete. Subject to 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 25 September 2026. 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 2025/26 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 2026 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 2025/26 (the 2025/26 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 2026 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 2025/26 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. 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 1 BT

Appendix B: Letter of Representations (ISA (UK) 580) – to be reproduced on SEStran or CEC headed paper and returned unsigned to be uploaded to DocuSign

25 September 2026

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

The South East of Scotland Transport Partnership

Annual accounts 2025/26

Dear Christopher,

This representation letter is provided in connection with your audit of the annual accounts of The South East of Scotland Transport Partnership, hereafter referred to as SEStran, for the year ended 31 March 2026 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 2026.

General

I have fulfilled my responsibilities for the preparation of the 2025/26 annual accounts as set out in your 2025/26 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 2025/26 (2025/26 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.

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 2026 and the transactions for 2025/26.

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 2025/26 Code, where applicable. Where the 2025/26 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 2025/26 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 2026 of which I am aware have been reported in the financial statements.

I carried out an assessment at 31 March 2026 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 2026.

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 2026 of which I am aware have been reported in the financial statements.

Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2026 of which I am aware where the conditions specified in IAS 37, as adapted by the 2025/26 Code, have been met.

The accrual recognised in the financial statements for annual leave untaken by 31 March 2026 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 2025/26 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 2025/26 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

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

I confirm SEStran has undertaken a review of the system of internal control during 2025/26 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.

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 2026 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 2026 for which IAS 10, as adopted by the 2025/26 Code, requires adjustment or disclosure have been adjusted or disclosed.

Prior period restatement

I confirm that the comparative disclosure relating to derecognised assets and the associated entries has been fully and accurately restated.

Yours sincerely

Richard Lloyd-Bithell

Treasurer, SEStran

Date: