

Annual Audit Report for the North East of Scotland Transport Partnership (NESTRANS)

Financial year ended 31
March 2024

Prepared for those Charged with Governance and the
Controller of Audit

17 October 2024



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect NESTRANS or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of the North East of Scotland Transport Partnership (NESTRANS) and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (NESTRANS Board) and the Controller of Audit.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The financial statements give a true and fair view of the state of affairs of NESTRANS as at 31 March 2024 and of the income and expenditure of NESTRANS for the year;
- NESTRANS' financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code;
- NESTRANS' financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003. We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We have completed our work and issued an unmodified opinion on 17 October 2024.

We have concluded that the Remuneration Report has been prepared in accordance with requirements, the Governance Statement has been prepared in accordance with the relevant guidance and the other information to be published alongside the financial statements is consistent with our knowledge of NESTRANS.

The financial statements presented for audit were of a good quality and NESTRANS' finance team have supported the audit process, by providing suitable working papers and answering our auditor queries on a timely basis.

Target completion dates

The target completion dates for the 2023/24 audit was 30 September 2024. The target timeline has not been achieved, due to additional work required around IFRIC 14. This resulted in a prior a prior period adjustment made to the 2022/23 pension figures. Further detail can be found at page 4.

Executive Summary (2)

Financial Statements

Amendments to the primary financial statements

We have not identified any audit adjustments to the 2023/24 primary financial statements. All audit adjustments have been made to disclosures only and are detailed in Appendix 1.

We have identified two audit recommendations for management as a result of our audit work on the financial statements. We have also identified two recommendations for management as a result of our wider scope audit work. All four recommendations are detailed at Appendix 2.

Our follow up of the recommendations made during the prior year audit are detailed in Appendix 3. One prior year recommendation has been closed whilst the other remains ongoing.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team in completing the external audit.

IFRIC 14

A national issue was identified in relation to the accounting for pensions. The issue relates to how actuaries considered secondary contributions in their calculations. We confirmed that the actuary had considered NESTRANS secondary contributions in perpetuity, rather than over an appropriate funding horizon.

As a result, we asked NESTRANS to request updated actuary reports for both the current and prior year whereby secondary contributions were not considered in perpetuity. The updated actuary report confirmed that there was no change in the overall pension position in the 2023/24 accounts.

However, a prior period adjustment was required as the updated report for 2022/23 confirmed a pension liability of £0.249 million should have been included in the 2022/23 accounts.

As a result of the prior period adjustment, several figures in the 2023/24 accounts have been updated due the knock-on impact of prior year figures being amended. There has been no impact on usable reserves as a result of the changes made.

Executive Summary (3)

Wider scope

In accordance with Code and supporting guidance: “Supplementary guidance -wider scope audit, less complex bodies and Best Value”, we have concluded that NESTRANS is a ‘less complex body’ and therefore, carried out more limited wider scope work.

As required by the Code and this supporting guidance, we have assessed both the quantitative and qualitative risk factors related to NESTRANS and concluded that NESTRANS qualifies for this exemption for 2023/24.

A review of the Annual Governance Statement and concluding on financial sustainability are the areas of scope for the wider scope work.

Annual governance statement

We did not raise any significant issues in relation to the disclosure within the Annual Governance Statement.

Financial sustainability

NESTRANS’ incurred £5.516 million of expenditure during 2023/24, 13% more than was originally budgeted. Total income received during the year was £5.569 million, 10% more than originally budgeted. This resulted in a £0.053 million budget surplus against the budgeted £0.199 million surplus.

A number of projects have been postponed into 2024/25 and the 2024/25 expenditure budget is 32% higher than the outturn for 2023/24. There is a risk that staffing challenges may make it difficult for NESTRANS to achieve their planned delivery.

We have raised two recommendations for management as a result of our audit work on wider scope. These can be found in Appendix 2.

Further details of the work undertaken is outlined on page 24.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at NESTRANS. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2023/24 have been:

- An audit of NESTRANS' annual report and accounts for the financial year ended 31 March 2024 [findings reported within this report];
- A review of the Annual Governance Statement and concluding on financial sustainability in accordance with wider scope requirements [within this report];
- Any other work requested by Audit Scotland.

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

This report is addressed to NESTRANS and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

NESTRANS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. NESTRANS is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to NESTRANS throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help NESTRANS promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts (1)

Our approach to the audit of the financial statements



Overall materiality

We set overall materiality at £110,320 which represents 2% of the entity's gross expenditure.

This has been updated from a planning materiality of £82,640 which was reported in our Audit Plan. This is due to the significant movement in gross expenditure from the 2022/23 value, upon which planning materiality had been based.

Key audit matters

The key audit matters were identified as:

- The valuation of the defined benefit pension scheme.

Significant risks

Other than the key audit matters noted above the other significant risks were identified as:

- Management override of controls (ISA (UK) 240); and
- Risk of fraud in expenditure recognition – non payroll expenditure (PN10).

Internal control environment

In accordance with ISA requirements, we have developed an understanding of the NESTRANS control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

There has been no change to our anticipated audit approach from our Audit Plan.

Audit of the annual report and accounts (2)

Status of Audit Work

We presented our Annual Audit Report to the NESTRANS Board meeting on 25 September 2024. Since that date we have completed any outstanding items, including work around the prior period amendment made to the accounts as a result of the late guidance issues around IFRIC 14.

We issued an unmodified audit opinion on 17 October 2024.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Audit of the annual report and accounts (3)

Our audit opinion

Auditor's report on the financial statements

Subject to the satisfactory completion of outstanding items, we anticipate issuing an unmodified audit opinion.

As reported in the independent auditor's report, our opinion will cover whether, in our opinion:

- NESTRANS' financial statements give a true and fair view of the state of affairs of NESTRANS as at 31 March 2024 and of the income and expenditure of NESTRANS for the year;
- NESTRANS' financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2023/24 ('the 2023/24 Code');
- NESTRANS' financial statements 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; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Our work relating to the review of Management Commentary and Annual Governance Statement is complete and we have no significant or material matters to report to you in respect of the Management Commentary and the Annual Governance Statement.

Audit of the annual report and accounts (4)

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Basis for our determination of materiality

- **Materiality for financial statements as a whole** - We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
- **Performance materiality used to drive the extent of our testing** - We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
- We have determined planning materiality in the context of our knowledge of the business, including consideration of factors such as key stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.
- We have used gross expenditure as the basis for determining materiality.

Specific materiality

- We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We apply heightened auditor focus in the completeness and clarity of disclosures in this area and request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.
- Lower materiality of £25,000 was determined for the auditable elements of the Remuneration Report.

Reporting threshold

- We determine a threshold for reporting unadjusted differences to the NESTRANS Board.
- We will report to you all misstatements identified in excess of £5,500, in addition to any matters considered to be qualitatively material.

Audit of the annual report and accounts (5)

Our application of materiality (continued)

As communicated in our Audit Plan dated 22 March 2024, we determined financial statement materiality at the planning stage as £82,640 based on 2% of gross expenditure. Performance materiality was set at £61,980 based on 75% of overall materiality. At year-end, we have reconsidered planning materiality based on the final financial statements.

We will report to you all misstatements identified in excess of £5,500, in addition to any matters considered to be qualitatively material.

Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual. A lower level of materiality of £25,000 is set for the senior officers' disclosures within the Remuneration Report.

Materiality was determined as follows:

Financial Statement Materiality threshold	Financial Statement materiality has been set at £110,320 which represents 2% of NESTRANS' gross expenditure. Financial Statement materiality is £31,320 higher than the materiality level set in the prior year audit.
Performance Materiality threshold	Performance materiality for the year has been set at £82,740 which represents 75% of financial statement materiality. Performance materiality is £31,390 higher than the materiality level set in the prior year audit.
Significant judgements made by auditor in determining materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.
Significant revision(s) of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and the during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.

Audit of the annual report and accounts (6)

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to NESTRANS and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2023/24 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the NESTRANS Board, concerning NESTRANS's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the NESTRANS Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of NESTRANS' financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered NESTRANS' financial performance for the year and potential management bias in determining accounting estimates in relation to the estimations in respect of NESTRANS' defined pension liability. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in certain account balances and significant accounting estimates.

Audit of the annual report and accounts (7)

Detecting irregularities, including fraud (continued)

In assessing the potential risks of material misstatement, we obtained an understanding of:

- NESTRANS' operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- NESTRANS' control environment, including the policies and procedures implemented by NESTRANS to ensure compliance with the requirements of the financial reporting framework.

Audit of the annual report and accounts (8)

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Defined benefit pension scheme valuation	Significant	↔	✘	✓	High	Substantive	● Green
Management override of controls	Significant	↔	✓	✘	Low	Substantive	● Green
Risk of fraud in expenditure	Significant	↔	✓	✘	Medium	Substantive	● Green

↑ Assessed risk increase since Audit Plan
 ↔ Assessed risk consistent with Audit Plan
 ↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements
Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements
Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Audit of the annual report and accounts (9)

Significant risks and Key Audit Matters

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of NESTRANS financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

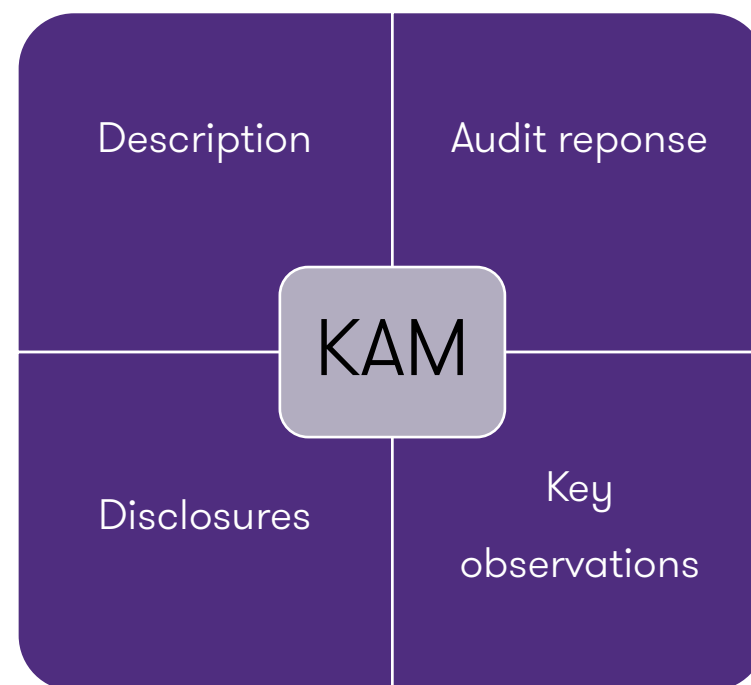
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.



Audit of the annual report and accounts (10)

Significant risks and Key Audit Matters (continued)

Risk 1: Defined benefit pension scheme valuation

NESTRANS participates in the North East Scotland Pension Fund, a local government pension scheme. There is an established protocol in place with Pension Fund auditors to provide external auditors with relevant assurance. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, NESTRANS is required to recognise its share of the scheme assets and liabilities in its balance sheet. As at 31 March 2024 NESTRANS had a net pension fund asset of £0.900 million (2022/23: net asset of £0.560 million). Due to the application of an asset ceiling under IFRIC 14, this asset has been capped at £nil (2022/23: also capped at £nil).

NESTRANS's actuary, Mercer Limited, provide an annual IAS 19 actuarial valuation of NESTRANS' net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for NESTRANS.

We identified the defined benefit pension scheme valuation as one of the most significant assessed risks of material misstatement due to error, and as a key audit matter.

Commentary

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work;
- Evaluated the assumptions made by Mercer Limited in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland and additional follow up procedures (where required);
- Evaluated the data used by management's experts in the calculation of the estimates;
- Performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;
- Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within NESTRANS's financial statements.
- Reviewed management's assessment of the application of IFRIC 14.
- Evaluated the response received from the NESPF auditor in line with the Protocol for Auditor Assurances for Local Government Pension Schemes

Audit of the annual report and accounts (11)

Significant risks and Key Audit Matters (continued)

Risk 1: Defined benefit pension scheme valuation

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023

- Note 16 – Defined Benefit Pension Schemes

As at 31 March 2024 NESTRANS had a net pension fund asset of £nil (2022/23: net asset of £nil).

Commentary

Our results

- Usually local government scheme (LGPS) pension liabilities calculated on an IAS 19 basis exceed any pension assets and members of the LGPS recognise a net pension liability on their balance sheet. However, a net defined benefit asset may arise where the defined benefit plan has been overfunded or where actuarial gains have arisen.
- IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The pension asset can be recognised at the lower of the net pension asset or the present value of any economic benefits available.
- NESTRANS requested an IFRIC14 assessment from the actuary which capped the pension asset at £nil. This was due to the IFRIC14 assessment where the present value of the benefits available were lower than the pension asset.

We concluded that the pension figures had been disclosed appropriately in the 2023/24 accounts. However, a prior period adjustment was made to the 2022/23 pension figures so that secondary contributions were considered over an appropriate funding horizon, rather than in perpetuity. Further detail on this issue can be found on page 24.

Audit of the annual report and accounts (12)

Significant risks and Key Audit Matters (continued)

Risk 2: Management override of controls

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

Commentary

In response to the risk highlighted in the audit plan we carried out the following work:

- Documented our understanding of and evaluated the design effectiveness of management's key controls over journals;
- Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals;
- Tested the high risk journals we have identified;
- Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;
- Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.; and
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our results

Our work on journals has not raised any issues to report to you.

Audit of the annual report and accounts (13)

Significant risks and Key Audit Matters (continued)

Risk 3: The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

(We have rebutted this risk for our audit of NESTRANS)

Commentary

Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities.

Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at NESTRANS, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

Our results

Our work has not identified any issues in relation to revenue recognition.

Audit of the annual report and accounts (14)

Significant risks and Key Audit Matters (continued)

Risk 4: Risk of fraud in expenditure

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

NESTRANS' expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.

We therefore focussed our risk on the non-payroll expenditure streams. Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll/non finance expenditure.

Commentary

In response to the risk highlighted in the audit plan we carried out the following work:

- Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2023/24;
- Performed detail testing of expenditure transactions at and around year end to verify the accounting period transactions related to and confirm if transactions had been recognised in the correct accounting period;
- Reviewed the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenged management accordingly.

Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll/non finance expenditure.

Our results

Our work has not identified any issues in relation to expenditure recognition.

Audit of the annual report and accounts (15)

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is NESTRANS' responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding NESTRANS's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of NESTRANS' accounting policies, accounting estimates and financial statement disclosures. No issues were identified.
Matters in relation to related parties	We are not aware of any related parties or related party transactions that have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at NESTRANS.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified from work performed.

Audit of the annual report and accounts (16)

Other key elements of the financial statements (continued)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). No inconsistencies have been identified, we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required by the Accounts Commission to report to you if, in our 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 we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A letter of representation has been requested from NESTRANS as required by auditing standards. Additional representation was sought regarding the prior period adjustment.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by NESTRANS meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit of the annual report and accounts (17)

Other key elements of the financial statements (continued)

Issue	Commentary
Management Commentary	<p>As part of the review of the Management Commentary, we have identified that the narrative within the management commentary could be improved by including additional information around the reporting of performance data. NESTRANS have confirmed they will look to further develop their reporting of performance data as part of the 2024/25 annual accounts. This will ensure additional context around performance is added alongside the inclusion of actual performance data for the 2024/25 accounts. A recommendation on performance reporting in the Management Commentary has been raised at Appendix 2.</p>
IFRS 16	<p>As a local government body, and in line with the Code of Audit Practice for Local Authority Accounting in the UK, NESTRANS is required to adopt IFRS 16 Leases. Adoption of IFRS 16 is optional for local government bodies until 2024/25 and NESTRANS did not choose to adopt in 2023/24. Therefore, 2024/25 will be the first year NESTRANS will account for leases in line with IFRS 16.</p> <p>Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025. NESTRANS will need to ensure that they understand the full accounting requirements of IFRS 16 and have identified all potentially leases which will fall under IFRS 16. NESTRANS will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard. A recommendation on accounting for leases under IFRS 16 has been raised at Appendix 2.</p>

Audit of the annual report and accounts (18)

Other key elements of the financial statements (continued)

Issue	Commentary	Conclusion
Prior Period Adjustment	<p>NETSRANS has included a £0.249 million PPA for 2022/23 and associated disclosures within Note 23. This decreased net assets on the balance sheet and increased unusable reserves by £0.249 million, all reflected in the 2022/23 year only.</p> <p>The issue relates to how the actuary considered secondary contributions in their calculations of NESTRANS year-end pension position. In the initial actuary report for 2023/24, the actuary had considered NESTRANS secondary contributions in perpetuity, rather than over an appropriate funding horizon.</p> <p>NESTRANS requested updated actuary reports for both 2023/24 and 2022/23 whereby secondary contributions were not considered in perpetuity. The updated actuary reports confirmed that there was no change in the overall pension position in the 2023/24 accounts.</p> <p>The actuary had previously concluded that NESTRANS had a pension asset for 2022/23 which was reduced to £Nil following the application of an asset ceiling in line with IFRC 14. However, a prior period adjustment was required as the updated reports confirmed a pension liability of £0.249 million should have been included in the 2022/23 accounts. To ensure the accounts are consistent across financial years, NESTRANS elected to amend for this misstatement.</p> <p>As a result of the prior period adjustment, several figures in the 2023/24 accounts have been updated due the knock-on impact of prior year figures being amended.</p>	<ul style="list-style-type: none"> • Note 23 for the Prior Period Adjustment has been agreed in total detailing the £0.249 million pension liability in 2022/23. • There was no impact on usable reserves following the updates made to prior year figures. • Note 23 was an additional disclosure that was added to the accounts to ensure compliance with the Code of Audit Practice • International Standards on Auditing 580 requires auditors to obtain specific representation made to restate prior period financial statements and comparative information. We have therefore requested specific representation with the Letter of Representation.

Audit of the annual report and accounts (19)

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle EBS – general ledger	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	All significant risks
iTrent - payroll	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	N/A

Note: NESTRANS utilises the IT systems operated by Aberdeenshire Council.

Assessment

- **Red** - Significant deficiencies identified in IT controls relevant to the audit of financial statements
- **Amber** - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- **Green** - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- **Grey** - Not in scope for testing

**Wider scope and best value
conclusions**

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope area of financial sustainability.

Wider scope dimension	Wider scope audit response and findings	External Audit conclusion
<p>Financial Sustainability</p> <p>We are required to look ahead to the medium and longer term to consider whether NESTRANS is planning effectively so that it can continue to deliver services.</p>	<p>2023/24 Plan and Outturn</p> <p>The 2023/24 budget showed total expenditure of £4.882 million and total income of £5.091 million giving an expected surplus of £0.199 million. The actual outturn for the year was a surplus of £0.053 million, with expenditure of £5.516 million (+13%) and income of £5.569 million (+10%).</p> <p>The increase in both income and expenditure was largely due to additional costs related to work managed by NESTRANS and recharged to the City Region Deal and Aberdeen Rapid Transit of £0.267 million and £0.211 million inflating both expenditure and income. NESTRANS also received interest income of £0.240 million not included in the initial budget.</p> <p>2024/25 Financial Planning and Beyond</p> <p>The budget for the 2024/25 year was presented to the February 2024 Board Meeting. The budget is split in two parts:</p> <ul style="list-style-type: none"> • the Coordination and Project Development budget and; • the Strategic Investment Programme funding budget <p>The 2024/25 Coordination and Project Development budget agreed at the February 2024 Board meeting showed an anticipated budget of £1.026 million. This is based on the contribution expected from Council partners and the Scottish Government for the implementation of the Regional Transport Strategy to 2040. Further budget amendments were made at both the April and June Board meetings, and the agreed budget for 2024/25 is £1.225 million.</p>	<p>NESTRANS' incurred £5.516 million of expenditure during 2023/24, whilst total income received during the year was £5.569 million, This resulted in a £0.053 million budget surplus against the budgeted surplus of £0.199 million.</p> <p>NESTRANS have prepared the 2024/25 budget which has a significant increase in planned expenditure when compared to 2023/24.</p>

Wider scope audit (2)

This section of our report sets out our conclusions from our audit work on the wider scope area of financial sustainability.

Wider scope dimension	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability (continued)	<p>At the February Board meeting, the Strategic Investment Programme funding for 2024/25 was based on a continuation of the allocations received in 2023/24 of £2.172 million. Due to the significant number of projects carried forward from 2023/24, an additional sum of £1.513 million was carried forward to give an approved budget of £3.685 million. Further budget amendments were made at both the April and June Board meetings, and the agreed budget for 2024/25 is £4.594 million.</p> <p>There is a risk that having several projects carrying over, or being postponed into, 2024/25 will make it difficult to achieve the planned delivery. The planned expenditure for 2024/25 is 32% higher than in 2023/24 which is a considerable increase given that competing priorities for staff resources within both NESTRANS and the Councils saw projects being postponed in the previous year.</p> <p>There is a risk that the three-year Strategic Investment Programme will become less accurate if it is not regularly reviewed and updated for changes in assumptions, such as the expected allocations from Council partners. There is also a risk that there is not adequate planning beyond the 3-year period to 2025/26. Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage.</p> <p>In 2023/24, NESTRANS received interest income totalling £0.240 million which was not originally included in NESTRANS budget planning. As part of the 2024/25 budget, NESTRANS have again not incorporated any interest income as part of the budget. In the current economic climate, with interest rates are higher, NESTRANS should review whether a level of interest income should be incorporated into the budget setting process for 2025/26.</p>	<p>NESTRANS have several planned projects carrying over to 2024/25 and will need to ensure appropriate plans are in place to ensure projects are delivered on schedule.</p> <p>NESTRANS should prepare a medium-term financial strategy covering at least the next 5 years, and regularly review this strategy for changing conditions and assumptions.</p> <p>See follow-up of prior year recommendation at Appendix 3.</p> <p>NESTRANS should review whether anticipated interest income for the year should be incorporated into its budget planning.</p> <p>Recommendation raised at Appendix 2.</p>

Wider scope audit (3)

Wider scope dimension	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability (continued)	<p>Performance Reporting</p> <p>NESTRANS Regional Transport Strategy “Nestrans2040” was approved by the Minister for Transport in November 2021. As part of this strategy, the NESTRANS Board agreed that a Monitoring framework be introduced, which will set baselines for key indicators and targets (to both 2030 and 2040). These key indicators are reported annually to the Board so that policies can be tracked and if necessary, adjusted towards achieving the targets.</p> <p>Alongside the key indicators, on a three-yearly basis, NESTRANS will complete an evaluation report which includes additional data of interest. The first three-year monitoring report went to Board in June and is published on the NESTRANS website</p> <p>Strategic Planning</p> <p>NESTRANS prepare an annual Business Plan which identifies the main objectives and projects NESTRANS aim to deliver over the future year. The Business Plan for 2024/25 has yet to be prepared and formally presented to the Board for approval. This is a key document which sets NESTRANS strategy and should be prepared as soon as practicable.</p>	<p>NESTRANS have appropriate performance monitoring arrangements in place and should ensure that it continues to monitor performance reporting on an annual basis in the years where the three-year evaluation is not carried out.</p> <p>NESTRANS should prepare the Business Plan for 2024/25 in a timely manner.</p> <p>Recommendation raised at Appendix 2.</p>

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the balance sheet, and the reported net expenditure of the Council for the year ending 31 March 2024.

Note: there is no impact upon usable reserves as a result of the adjustment.

Detail	CIES £'000	Balance sheet £' 000
DR Pension liability		249
CR Pension reserve		(249)
DR Actuarial (gains)/losses on pension assets/liabilities	249	
CR MIRS	(249)	

This is the prior period amendment made to the 2022/23 pension figures in the accounts in order to include a pension liability in relation to the unfunded element of the LGPS.

The impact of the adjustment above is to increase the pension liability by £0.249 million in the 2022/23 figures.

1. Audit Adjustments (2)

Impact of unadjusted misstatements

There are no unadjusted audit misstatements identified that are above our reporting level.

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements brought forward from the prior year audit.

1. Audit Adjustments (3)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on NESTRANS' reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified a number of minor typing errors and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Management Commentary	We identified that additional information around reporting of performance data should be included within the narrative of the management commentary. NESTRANS will look to further develop their reporting of performance data as part of the 2024/25 annual accounts.	Partially
	We identified that the Management Commentary would be enhanced by including detail on the significant risks on the risk register and the approach being undertaken by NESTRANS to mitigate the risk.	Yes
Governance Statement	We identified that the Governance Statement should include detail on the principles included in the Delivering Good Governance Framework to show NESTRANS compliance.	Yes
	We identified that the Governance Statement should be detailing whether the two actions included in the 22/23 action plan were implemented during 2023/24, in line with the Delivering Good Governance Framework.	
Note 18: Related Parties	We identified a £0.006 million variance between the "Amounts Due From" Aberdeenshire Council and Aberdeen City Council. This was corrected by NESTRANS.	Yes
Note 23: Prior Year Amendments	NESTRANS added the prior period amendments note following the updated actuary calculations outlined there was a pension liability of £0.249 million in 2022/23. Further detail on the amendment can be seen at page 24	Yes

2. Action plan and recommendations (1)

Financial statements audit

We have raised two financial statements recommendations as part of our audit of the financial statements of NESTRANS for the year ended 31 March 2024.

Recommendation

1. Risk: In line with the Code of Audit Practice for Local Authority Accounting in the UK, NESTRANS will be required to adopt IFRS 16 Leases in 2024/25. NESTRANS did not choose to undertake early adoption of IFRS 16 and therefore 2024/25 will be the first year NESTRANS will account for leases in line with IFRS 16.

Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025.

Recommendation: NESTRANS should ensure that it understands the full accounting requirements of IFRS 16 and have identified all potential leases which will fall under IFRS 16, if this is relevant. NESTRANS will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard.

Agreed management response/Officer/Date

Response: Agree, IFRS 16 Leases will be adopted in 2024/25 as required. There is only one operating lease for the rental of premises at a value of £22k therefore not significant but will be accounted for appropriately.

Responsible officer: Aberdeenshire Council Business Partner for NESTRANS

Target date: March 2025

2. Action plan and recommendations (2)

Recommendation

2. Risk: There is limited information on NESTRANS performance included within the Annual Accounts. The narrative within the management commentary could be improved by including additional information on NESTRANS's performance during the financial year.

Recommendation: NESTRANS should include additional performance information within the Management Commentary which provides detail on progress against key performance indicators

Agreed management response/Officer/Date

Response: The first 3-year Monitoring & Evaluation Report went to Board in June and is now published on the website. It is difficult to summarise the large report at this stage, but a Summary Dashboard has been prepared, showing that progress has been made towards 14 of Nestrans' 21 identified Indicators, and will be published after the Board meeting in September. Nestrans will work on additional context and adding actual performance data for 2024/25 accounts, but this is dependent on national statistics publications.

Responsible officer: Nestrans Director

Target date: June 2025

2. Action plan and recommendations (2)

Wider scope

We have raised two recommendations for NESTRANS during our wider scope work for the year ended 31 March 2024. Please see details below.

Recommendation

Agreed management response/Officer/Date

1. Risk: In 2023/24, NESTRANS received interest income totalling £0.240 million which was not originally included in NESTRANS budget planning. Furthermore, as part of the 2024/25 budget, NESTRANS have not incorporated any interest income as part of the budget.

Response: It was not previously a significant value, and amounts can fluctuate depending on interest rates, therefore an amount is not guaranteed and not built into the budget. However, the amount will be monitored during 2024/25 and considered as part of the 2025/26 budget setting process.

Recommendation: NESTRANS should review whether a level of interest income should be incorporated into the budget setting process for 2025/26.

Responsible officer: Nestrans Director / Aberdeenshire Council Business Partner for NESTRANS

Target date: February 2025

2. Risk: NESTRANS prepare an annual Business Plan which identifies the main objectives and projects NESTRANS aim to deliver over the coming year. The Business Plan for 2024/25 has yet to be prepared and requires to be formally presented to the Board for approval.

Response: The annual report 2023/24 and business plan 2024/25 has yet to be prepared for reporting to the Board. It is intended to be reported in November. Going forward, the business plan will aim to be reported separately at an earlier date at the commencement of the financial year.

Recommendation: NESTRANS should complete the Business Plan as soon as practicable and formally present to the Board for approval.

Responsible officer: Nestrans Director

Target date: November 2024

3. Follow up of prior year recommendations (1)

Progress against prior year audit recommendations

We have set out below, our follow up of the recommendations made in our 2022/23 audit and management's progress in implementation.

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Closed (22/23 audit)	NESTRANS should regularly review its strategic delivery plan to ensure that it is achievable and should consider implementing a formal workforce plan to understand how staff resources will be made available to achieve the planned delivery in the short, medium and longer term.	<p>The majority of projects continue to be delivered by the Councils as the relevant Roads Authorities, therefore it is their workforce planning that is most relevant. Nestrans do not intend to create their own workforce plan.</p> <p>There are designated officers within each Council that attend budget meetings with NESTRANS. NESTRANS liaise with these officers to develop the Budget proposals presented for consideration by the Board each February to ensure they are feasible for delivery. These officers also provide information at individual project level as part of the progress report presented at each Board meeting. This also includes revised forecasts for the budget matters report that is also presented at each Board meeting.</p> <p>This information is used to react and best manage the budget throughout the year should issues arise be they related to resource, or other issues such as land availability or alternative external funding availability.</p> <p>Issue Closed.</p>	NESTRANS do not intend to implement their own formal workforce plan. NESTRANS are satisfied they have a suitable mechanisms in place which ensures progress against projects is monitored on an ongoing basis.

3. Follow up of prior year recommendations (2)

Progress against prior year audit recommendations

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing (22/23 audit)	NESTRANS should prepare a medium-term financial strategy covering at least the next 5 years, and regularly review this strategy for changing conditions and assumptions.	<p>When the budget proposals were reported to Board in February 2024, it was confirmed by NESTRANS that the usual three-year plan proposals would instead be replaced by a longer term five-year plan.</p> <p>Due to the uncertainties regarding potential changes to funding mechanisms, particularly around replacement of the RTP Active Travel grant from Scottish Government with regional funding for an active travel behaviour change programme, it was agreed by NESTRANS that this would be reported for consideration at a future Board meeting.</p> <p>Nestrans are currently developing the five-year delivery plan which will be reported at a future Board meeting.</p>	<p>NESTRANS have yet to implement the longer term financial strategy. Longer term financial planning remains in development and no formalised plans have been agreed.</p> <p>NESTRANS should aim to implement longer term financial planning as soon as practicable.</p>

4. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and NESTRANS that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with NESTRANS or investments in NESTRANS held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by NESTRANS as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and NESTRANS.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place with regard to non-audit services.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

4. Audit fees, ethics and independence (2)

Independence and ethics (continued)

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to NESTRANS. The table summarises all non-audit services which were identified.

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£23,940	£25,440*
Pooled Costs	£870	£870
Contribution to Audit Scotland support costs	Nil	Nil
Contribution to Performance Audit and Best Value	Nil	Nil
Sectoral Cap Adjustment	-£12,250	-£12,250
2023/24 Audit Fee	£12,560	£14,060

Fees for other services

Service	Fees £
We confirm that for 2023/24, we did not receive any fees for non-audit services	Nil

* A £1,500 fee variation has been charged due to the additional work required on the IFRIC 14 issue identified and the requirement to process a prior period amendment to the accounts.

4. Audit fees, ethics and independence (3)

Independence and ethics (continued)

Financial statements

The fees reconcile to the financial statements (round £000 in the financial statements).

Fees per financial statements	£13
Total fees per previous page	£14

The difference is the additional audit fee noted on page 40.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](#) [grantthornton.co.uk]

5. Communication of audit matters

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

Our communication plan

	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of NESTRANS's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•



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