



North East of Scotland Transport Partnership (NESTRANS) External Audit Plan

Financial year ending 31 March 2025

Prepared for those Charged with Governance, the
Controller of Audit and the Accounts Commission

20 February 2025



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01 Key developments impacting our audit approach

Key developments impacting our audit approach

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
 - We would like to offer a formal meeting with the Treasurer twice a year as part of our commitment to keep you fully informed on the progress of the audit.
 - We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our wider scope work in relation to financial sustainability.
 - We will continue to provide you and your Board with sector updates providing our insight on issues from a range of sources via our Board updates.
 - We hold annual financial reporting workshops for our audit bodies to access the latest technical guidance and interpretation, discuss issues with experts and create networking links with other client to support consistent and accurate financial reporting across the sector.
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02 Introduction and Headlines

Introduction and headlines (1)



Purpose

- This document provides an overview of the planned scope and timing of the external audit of NESTRANS for those charged with governance.
- We are appointed by The Accounts Commission as the external auditors of NESTRANS for the five-year period 2022/23 to 2026/27.

Respective responsibilities

- The Code of Audit Practice (the Code) summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of the NESTRANS are summarised in the Appendix of this Audit Plan. We draw your attention to this and the Code.

Scope of our Audit

- The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on NESTRANS financial statements, which have been prepared by management with the oversight of those charged with governance (the NESTRANS Board).

Our audit of the financial statements does not relieve management or the NESTRANS Board of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. As part of our wider scope work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of NESTRANS and is risk based.

Other Audit Matters

We summarise other audit matters for NESTRANS Board awareness. This includes:

- Consideration of going concern in accordance with Practice Note 10.
- In accordance with the Code and planning guidance we also required to complete and submit a number of information returns and other deliverables to Audit Scotland during the year.

Introduction and headlines (2)

The audit plan sets out our risk-based audit approach for NESTRANS. This plan outlines our initial risk assessment and is reported to those charged with governance (NESTRANS Board) and will be shared with Audit Scotland.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – non payroll expenditure (cut-off) (PN10);
- Valuation of defined benefit pension scheme (valuation).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have calculated our planning materiality to be £0.138 million (PY: £0.083 million) for NESTRANS, which equates to 2.5% (PY: 2%) of your prior year gross expenditure as per the audited 2023/24 financial statements.

Performance materiality has been determined as £0.103 million (PY: £0.062 million) and is based on 75% (PY: 75%) of planning materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. Clearly trivial has been calculated at 5% of materiality being £0.007 million (PY: £0.004 million).

A lower materiality threshold will of £25,000 will be used on salary and pension (CETV) tables for senior management and board members.

We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2024/25.

Wider Scope and Best Value Audit

In accordance with the Code, our planning considers the Wider Scope and Best Value areas of audit.

We have concluded that NESTRANS is a ‘less complex body’ and therefore, carry out more limited wider scope work as set out in this Audit Plan.

Adding value through the audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

We have also invited members of your financial reporting team to our annual Local Government Chief Accountants workshop, which is led by our internal financial reporting technical team.

03 Identified risks

Significant risks identified (1)

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.

Significant risk	Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition	<p>Under ISA (UK) 240 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.</p>	<p>Having considered the risk factors set out in ISA 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, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. <p>Therefore, we do not consider this to be a significant risk for NESTRANS</p>
	<p>(rebutted)</p>	



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (2)

Significant Risk	Description	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	<p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. As set out in Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) 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.</p> <p>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.</p> <p>We therefore focus our risk on the non-payroll expenditure streams. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals in relation to non payroll/non finance expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2024/25; • Perform detail testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period; • Review the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenge management accordingly.

Significant risks identified (3)

Significant risk	Description	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>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.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Document our understanding of and evaluate the design effectiveness of management's key controls over journals; • Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals; • Test the high risk journals we have identified; • Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness; • Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (4)

Significant risk Description

Defined benefit pension scheme	<p>NESTRANS participates in the North East Scotland Pension Fund, a local government pension scheme. 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 Statement of Financial Position.</p> <p>In 2023/24, NESTRANS applied the asset ceiling test as prescribed by IFRIC 14 which limited the measurement of a 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 as the lower of the net pension asset or the present value of any economic benefits available. NESTRANS actuaries undertook this assessment and the asset value in the accounts was reduced as the present value of the benefits available were lower than the pension asset.</p> <p>NESTRANS actuary will also provide an 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.</p> <p>Up until the 2023/24 financial year, NESTRANS actuary was Mercer Limited. This contract is currently under review and it is not yet known which company will undertake the pension calculations in 2024/25.</p> <p>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.</p> <p>This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for NESTRANS.</p>
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Key aspects of our proposed response to the risk

We will:

- Evaluate 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;
- Evaluate the assumptions made by the actuary 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);
- Evaluate the data used by management's experts in the calculation of the estimates;
- Perform substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;
- Assess the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements;
- Review management's assessment of the application of IFRIC 14 (if applicable);
- Evaluate the response received from the NESPF auditor in line with the Protocol for Auditor Assurances for Local Government Pension Schemes.

During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach and update where appropriate.

Other risks identified (1)

Risk	Description	Key aspects of our proposed response to the risk
IFRS 16 – Right of Use Assets	<p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, NESTRANS is required to adopt IFRS 16 Leases. 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.</p> <p>Further detail on the implications of this Accounting Standard is set out at Appendix 4.</p>	<p>Our initial discussions with officers at NESTRANS have indicated that:</p> <ul style="list-style-type: none"> • NESTRANS has established systems and processes to capture the data required to account for right-of-use lease assets in accordance with IFRS 16; • revised its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard. <p>We will assess the existence, accuracy and completeness of the right-of-use assets and associated lease liabilities, and the related disclosures, during our audit. As this is a new area of focus for 2024/25, any work will be subject to an additional audit fee.</p>

Other matters (1)

Other work

In addition to our expected responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We audit parts of your Remuneration Report, as required under the Code, and check whether these sections have been properly prepared (opinion). These procedures are performed to a lower materiality.
- We read the sections of your Statement of Accounts which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in Delivering Good Governance in Local Government: Framework (2016) (opinion).
- We consider our other duties under the Code and planning guidance (2024/25), as and when required, including:
 - Supporting Audit Scotland's reporting to the Accounts Commission.
 - Contributing to Audit Scotland Performance Reports and providing regular updates to Audit Scotland to share awareness of current issues.
 - Contributing to the National Fraud Initiative (NFI) report.
 - Notifying the Controller of the Audit when circumstances indicate a statutory report may be required.
 - Completing mandated information requests and returns and notifying Audit Scotland of any cases of money laundering or fraud.
 - Review of Technical guidance prior to issue by Audit Scotland.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design and implementation) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls.
- Assess the design of key controls over all significant risks we have identified. This will include key controls over:
 - Journal entries and other key entity level controls.
 - The completeness and accuracy of information provided to the actuary to perform the valuation of the net pension fund liability.
 - The review of actuarial outputs including key assumptions made by the actuary and significant movements impacting the net pension liability.

Our focus is on design and implementation of controls only. We do not intend to assess or place any reliance on the operating effectiveness of your controls during our audit.

Other matters (2)

Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a “SORP-making body” for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern. PN 10 allows auditors to apply a ‘continued provision of service approach’ when auditing going concern in the public sector, where appropriate. Audit Scotland’s also issued further guidance in a Going Concern publication in December 2020).

Within our wider scope work we will conclude on NESTRANS arrangements to ensure financial sustainability.

Internal Audit

We read and understand the work of Internal Audit during the year, and how this work feeds into management’s governance processes and inclusion within the Annual Governance Statement. We do not rely directly upon the work of Internal Audit, and our approach is fully substantive.

Financial reporting developments

During our audit we will actively discuss emerging financial reporting developments with you.

Progress against prior year audit recommendation

As part of our final account's procedures, we will follow up on the implementation of prior year audit recommendations and report on progress against the recommendations in full within our Annual Audit Report.

Interim testing

As part of our interim procedures, we will complete testing on a number of areas when efficient to do so, which will cover the first nine months of the financial year. This will include:

- Payroll - starters, leavers and changes in circumstances
- Payroll substantive analytical procedure
- Operating expenditure
- Grant income
- Interest and Investment income.

04 Our approach to materiality

Our approach to materiality (1)

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.

Matter Description

Planned audit procedures

01

Determination

We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgement in the context of our knowledge of the business, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross expenditure of NESTRANS for the financial year.

Materiality at the planning stage of our audit is £0.138 million (PY: £0.083 million), which equates to 2.5% of your prior year gross expenditure for the year.

Performance materiality for NESTRANS has been set at £0.103 million (PY: £0.062 million) which is based upon 77% of materiality.

- We determine planning materiality in order to:
 - establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
 - assist in establishing the scope of our audit engagement and audit tests
 - determine sample sizes and
 - assist in evaluating the effect of known and likely misstatements in the financial statements.

02

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

- An item may be considered to be material by nature when it relates to:
 - instances where greater precision is required (e.g. the Senior Management and Board Member Remuneration and Pension CETV Tables).

03

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

- We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (2)

Matter Description

04

Matters we will report to the Board

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Board any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Planned audit procedures

- We report to the Board any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.
- In the context of NESTRANS, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.007 million (PY: £0.004 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Board to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (3)

	Amount (£)	Qualitative factors considered
Materiality for NESTRANS financial statements	£0.138 million	<p>Our materiality has been set at 2.5% of prior year gross expenditure of NESTRANS as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered:</p> <ul style="list-style-type: none"> • There were no significant findings in the 2023/24 audit report. • No significant deficiencies have been identified with the NESTRANS control environment. • The level of public interest in NESTRANS for Scotland by the public and the Scottish Government.
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	<p>Due to the sensitivity of the disclosures to the users of the financial statements, a lower materiality threshold has been applied to the salary and pension (CETV) disclosures for senior management and board members. All other remuneration disclosures will be audited at headline materiality.</p>



05 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
iTrent	Payroll	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)

06 Wider Scope Arrangements

Wider scope arrangements (1)

Our responsibilities under the Code extend beyond the audit of the financial statements. Under the Code and supporting guidance: “Supplementary guidance - wider scope audit, less complex bodies and Best Value” issued by Audit Scotland, there is an exemption in relation to the normal wider scope audit requirements of the Code for public bodies which are smaller and have limited financial activity (referred to as “Less Complex Bodies”).

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 2024/25. From a quantitative perspective the gross revenue, gross assets and gross liabilities of NESTRANS are not expected to exceed the £10.2 million limit set out in Audit Scotland’s guidance, and from a qualitative perspective we have not identified any wider scope risks beyond financial sustainability that would require further consideration during the audit.

Our wider scope work at NESTRANS will be limited to the following areas specified for Less Complex Bodies in the Code:



Financial Sustainability

Concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term.



Annual Governance Statement

A review of the Annual Governance Statement

Wider scope arrangements (2)

Risk assessment of the NESTRANS wider scope arrangements

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. We will continue to review your arrangements before we issue our Annual Audit Report.

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 planning considerations
Financial Sustainability	<p>G Appropriate arrangements were in place, with only minor improvement recommendations being made.</p>	<p>No significant risks has been identified.</p>	<p>Our initial planning work has not identified a significant risk in relation to NESTRANS arrangements for financial sustainability.</p> <p>As part of our work, we will consider whether the body is planning effectively to continue to deliver its services over the medium to longer term.</p>

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Wider scope arrangements (3)

Financial Sustainability

The budget for 2024/25 was presented to the February 2024 Board Meeting. The budget is split in two parts:

- The Coordination and Project Development budget and;
- The Strategic Investment Programme funding budget

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. Budget amendments were made at each Board meeting held following approval of the budget. The current agreed budget for 2024/25 is £1.225 million.

The Strategic Investment Programme funding for 2024/25 was based on a continuation of the allocations received in 2023/24. An additional sum was carried forward due to projects carried forward from 2023/24 to give an approved budget of £3.685 million. Budget amendments were made at each subsequent Board meeting and the current agreed budget for 2024/25 is £4.796 million.

Following approval of the 2024/25 budget, NESTRANS also received confirmation of its People and Place Grant funding for the year which totalled £1.738 million.

The movement in the budget during 2024/25 is shown in the table below:

	Approved Feb 2024	Apr 2024	Jun 2024	Sept 2024	Nov 2024
Coordination & Project Development	£1.026m	£1.172m	£1.172m	£1.225m	£1.225m
Strategic Investment Programme	£3.685m	£4.349m	£4.349m	£4.594m	£4.796m
People and Place Grant Funding	-	-	£1.738m	£1.738m	£1.738m
Total Revised Budget	£4.711m	£5.521m	£7.259m	£7.557m	£7.759m

Wider scope arrangements (4)

Financial Sustainability (continued)

NESTRANS present budget monitoring reports to each Board meeting which show the projected outturn for the financial year. The latest 2024/25 budget monitoring report was presented to the Board on 27 November 2024 and showed that projected total expenditure for the full financial year is £7.420 million, resulting in an estimated underspend of £0.338 million for the full year against a budget of £7.758 million. Furthermore, total income is forecast to be £8.064 million against a budget of £7.758 million, a difference of £0.306 million. This results in a projected surplus for 2024/25 of £0.644 million.

The projected year-end position is shown in the table below:

	Revised Budget	Projected	Variance
Total Expenditure	£7.759m	£7.420m	£0.339m
Total Income	£7.759m	£8.064m	£0.305m
Operating Surplus	-	£0.644m	£0.644m

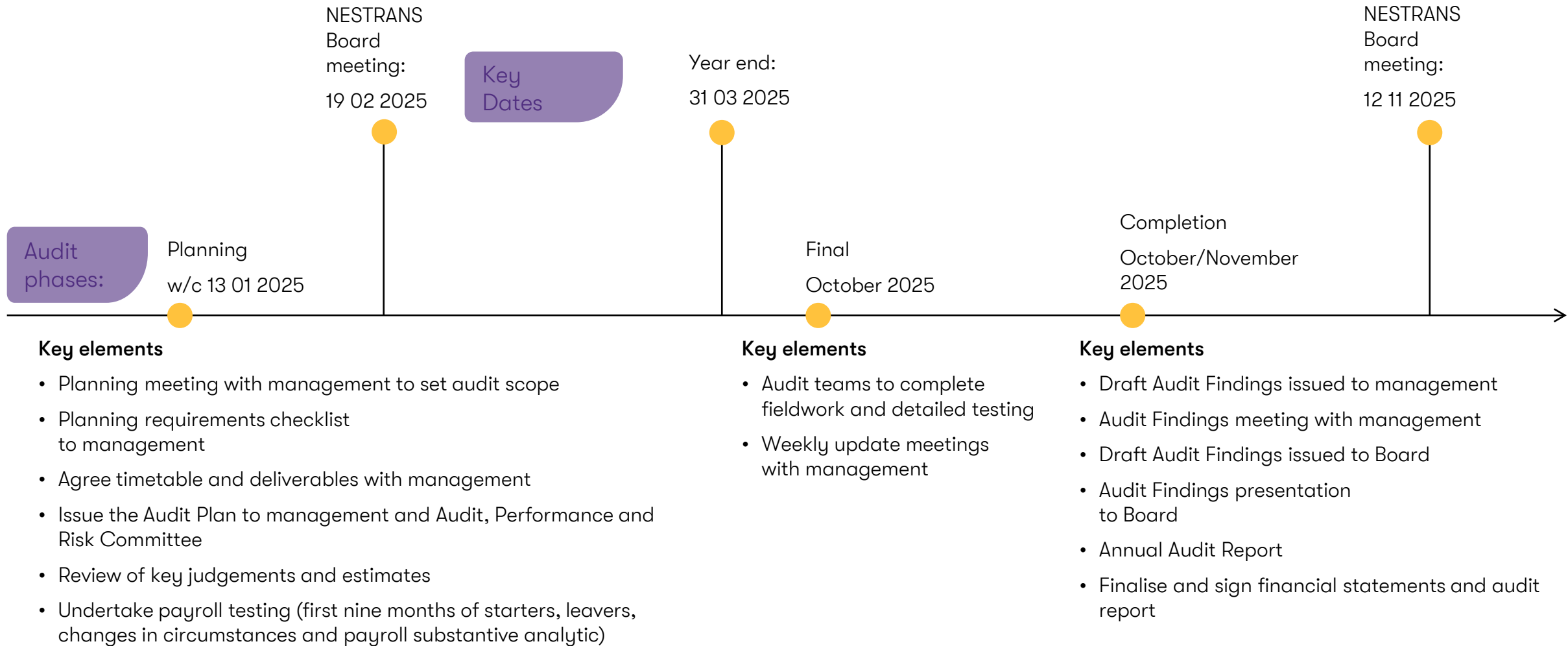
At the time of writing this plan, the 2025/26 budget has not been prepared. From discussion with NESTRANS officers, there are no significant changes expected from the 2024/25 budget. We will review the 2025/26 budget as part of our year-end audit procedures and provide an update as part of the review of financial sustainability in the Annual Audit Report.

At the planning stage there is not a risk identified to financial sustainability in the short term. We will update the results of our work on financial sustainability in our Annual Audit Report.

07 Logistics

The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and the target date to submit audited accounts and the Annual Audit Report is by 30 September 2025. We have set out below our planned timescales for the NESTRANS audit.



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Issue the Audit Plan to management and Audit, Performance and Risk Committee
- Review of key judgements and estimates
- Undertake payroll testing (first nine months of starters, leavers, changes in circumstances and payroll substantive analytic)

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Board
- Audit Findings presentation to Board
- Annual Audit Report
- Finalise and sign financial statements and audit report

The Audit Timeline - Logistics (2)

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to an audited body not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits due to client issues may incur additional audit fees.

Our requirements

To aid the audit process, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline you have agreed with us;
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit;
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements;
- ensure that all appropriate staff are available to us for queries over the planned period of the audit , or as otherwise agreed, and;
- respond promptly and appropriately to all audit queries, within agreed timescales.

Our team and communications

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- Key contact for senior management and Audit, Performance and Risk Committee
- Overall quality assurance

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- Audit team management
- Resource management
- Wider scope and best value reporting

Cameron McIntyre

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- Day-to-day point of contact
- Audit planning/interim
- Audit fieldwork

Pool of technical specialists (e.g. tax, VAT, IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual audit closure meeting 	<ul style="list-style-type: none"> • The Audit Plan • The Annual Audit Report • Progress and Sector Update Reports 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues (where appropriate)

08 Fees and related matters

Audit Fees

Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

Audit fees were shared by Audit Scotland with the Treasurer in January 2025. We have discussed our fee with the Treasurer, and this is set out on page 33 of this Audit Plan. The Plan was presented to the Board on 19 February 2025.

Audit fees are paid to Audit Scotland who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

Relevant Professional Standards

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or specific client matters identified.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

The baseline fee of £12,780 has been set by Audit Scotland. In accordance with Audit Scotland guidance, we are able to discuss a variation to the audit fee where additional work is required. Additional work required for IFRS 16 is set out on page 33.

Audit Fees (2)

Audit fees for 2024/25

Service	Fees (£)
External Auditor Remuneration	£24,950
Pooled Costs	£630
Contribution to Audit Scotland support costs	Nil
Contribution to Performance Audit and Best Value	Nil
Sectoral cap adjustment	-£12,780
2024/25 Fee	£12,800

Additional Fees (Non-Audit Services)

Service	Fees (£)
At planning stage we confirm there are no planned non-audit services	Nil

Fee Assumption

In setting the fee for 2024/25 we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence for all critical and significant judgements and estimates made in preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- Provide ongoing access to officers and management experts throughout the audit and timely responses to audit queries.

IFRS 16 - Leases

This is the first year NESTRANS will account for leases in accordance with IFRS 16. Additional work will be required to gain an understanding of how NESTRANS has accounted for its leases. An additional audit fee will be required for this work and will be determined later in the audit once NESTRANS have provided us with all details on the lease assets to be accounted for under IFRS 16.

09 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no matters that we are required to report.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority 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 the Authority or investments in the Authority 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 the Authority 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 the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning 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.

No non-audit services provided by Grant Thornton UK LLP have been identified. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Report at the conclusion of the audit.

10 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan

	Audit Plan	Annual Audit Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
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 the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue 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		●

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Annual Audit Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

11 Delivering audit quality

Delivering audit quality (1)

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service.

By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting.

The engagement leader always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality (2)

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

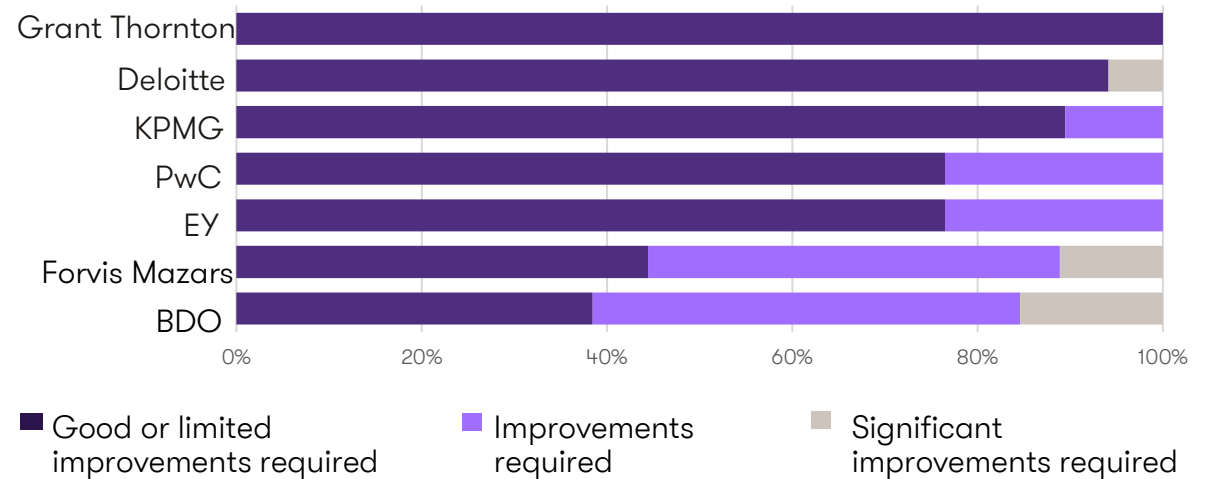
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Delivering audit quality (3)

Audit Quality Framework

The Audit Quality Framework (AQF) published by Audit Scotland sets out its approach to achieving high quality public audit by all auditors and providers. The AQF is the framework used to provide the Auditor General and the Accounts Commission with robust, objective, and independent quality assurance, over the work conducted on their behalf by Audit Scotland and external firms. This work includes delivering the respective performance audit and Best Value work programmes and the annual audits of public bodies across Scotland’s public sector.

Audit quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High-quality public audit provides the public, decision-makers, and politicians, with the assurance and information they need, and it helps Scotland’s Parliament hold public bodies to account. This is more important than ever when public services face rising demand and tightening budgets

Annual Audit Quality Report

Audit Scotland’s Audit Quality and Appointment (AQA) team prepares an annual Audit Quality Report to provide assurance on audit quality, including compliance with the Financial Reporting Council’s Ethical Standard, to the Auditor General for Scotland and the Accounts Commission.

This annual report summarises the AQA’s assessment of audit quality conducted on audit work, delivered by Audit Scotland and the six appointed firms (including Grant Thornton UK LLP) on behalf of the Auditor General for Scotland and the Accounts Commission on the 2022/23 audits. The report provides evidence that auditors have designed and implemented audit quality arrangements to assure the quality of their audit work and highlights areas for further improvement.

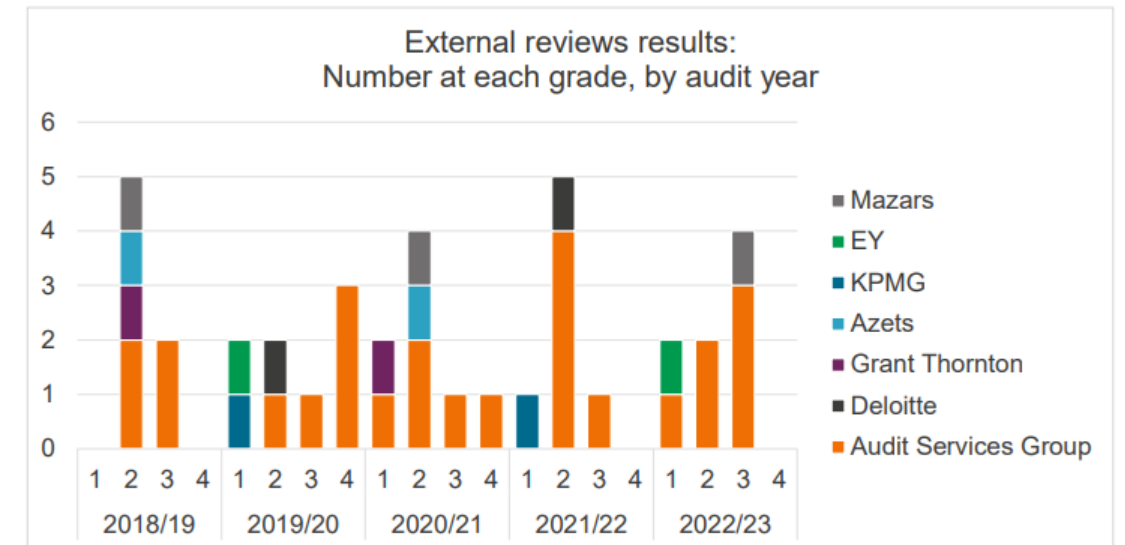
This report is available at [Quality of public audit in Scotland: Annual report 2023/24](#) and is published on annual basis.

Independent External Reviews

Independent external assurance offers the highest level of assurance to stakeholders. ICAEW replaced ICAS for 2021/22 independent reviews following a successful tendering exercise undertaken by Audit Scotland in 2022.

ICAEW review audit files to assess the quality of audit work and compliance with the International Standards on Auditing (UK), Financial Reporting Council’s Practice Note 10 and Audit Scotland’s Code of Audit Practice.

External reviews cover the firms and Audit Directors in Audit Scotland over a three-year cycle, with the external review results shown within the chart below for the last five financial years.



12 Appendices

Appendix 1 - Respective responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

NESTRANS

Your responsibilities include:

- Maintaining adequate accounting records and working papers
 - Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
 - Establishing and maintaining a sound system of internal control
 - Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
 - Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
 - Maintaining strong corporate governance arrangements and a financial position that is soundly based
 - Establishing and maintaining an effective internal audit function.
-

External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
 - Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
 - Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
 - Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
 - Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
 - Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2024/25).
-



Appendix 2 - The Grant Thornton Digital Audit – Inflo

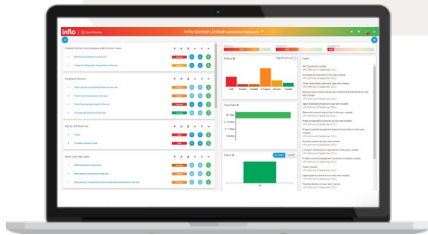
A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

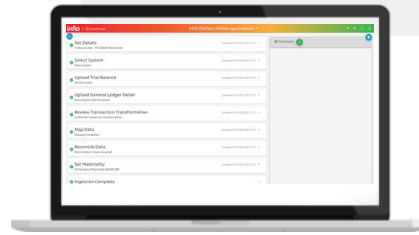
What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



02 Ingest

The general ledger and trial balance are uploaded into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

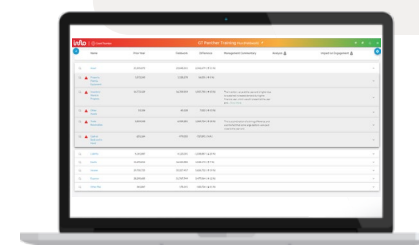


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focused approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



Appendix 3 - New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the Code of Audit Practice. Many of the items below will have limited or nil applicability for NETRANS, but are included for completeness purposes.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. It has been effective in the UK since **1 January 2023**.

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective in the UK from **1 January 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are effective in the UK from **1 January 2026**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from **1 January 2027**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is effective in the UK from **1 January 2027**.

Appendix 4 - IFRS 16 - Leases

Lessee accounting up to 31 March 2024

Until April 2024, when a local government body gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset and also a liability for the present value of the total amount they expect to pay over the period of the agreement. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as RPI, and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals.

This is one instance where the right of use asset and associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value and any difference between that and the present value of expected payments is accounted for as income, similar to the treatment of donated assets.

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to be made by management. Such judgements may include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets.
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator
- if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset

Appendix 4 - IFRS 16 – Leases

Questions to consider

Questions for local government bodies to ask themselves include:

- How have you gained assurance on completeness, that you have identified all your leases including those for a peppercorn rent?
- Have you set your threshold for low value leases?
- How have you identified all options to terminate or extend existing leases and assessed the lease term on the basis of the likelihood you will exercise them?
- Have you reconciled your operating lease commitments as disclosed in your 31 March 2023 accounts under IAS 17 to your lease liability under IFRS 16 on 1 April 2024?
- How have you gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- If you are an intermediate lessor, have you reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
- Have you updated your systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner.



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