

South East Scotland Transport Partnership

2024/25 Annual Audit Report



Prepared for SEStran and the Controller of Audit
September 2025

Contents

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

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Key messages

Audit of the annual accounts

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

Financial Sustainability

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

Introduction

Purpose of the Annual Audit Report

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

Appointed auditor and independence

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

Acknowledgements

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

Audit scope and responsibilities

Scope of the audit

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

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

Responsibilities and reporting

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

Auditor's responsibilities

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

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

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

The body's responsibilities

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

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

National and performance audit reporting

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

Audit of the annual accounts

Main judgements

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

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

Audit opinions on the annual accounts

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



Audit timetable

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

Audit Fee

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

Materiality

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

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

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

Exhibit 1

2024/25 Materiality levels for SEStran

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

Source: Audit Scotland

Significant findings and key audit matters

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

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

20. In determining key audit matters, auditors consider:

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

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

Exhibit 2
Significant findings and key audit matters

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

Source: Audit Scotland

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

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

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

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

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

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

Audit adjustments

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

Significant risks of material misstatement identified in the Annual Audit Plan

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

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

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

Risk of material misstatement	Planned audit response	Outcome of audit work
2. Risk of material misstatement caused by fraud in expenditure The Code of Audit Practice expands the consideration of fraud under ISA (UK) 240 to include the risk of fraud over expenditure. There is a risk that expenditure may be materially misstated in the 2024/25 financial statements due to the significant extent and nature of SEStran's project and grant-related expenditure streams .	The audit team will: • Test expenditure transactions, focusing on the areas of greatest risk, including grant awards. • Review of budget monitoring reports, focusing on significant budget variances. • Review of arrangements in place to prevent and detect fraud.	• Our testing of expenditure did not identify any instances of fraud. • We reviewed budget monitoring reports that are presented at each committee meeting. We concluded that financial management reporting is accurate and appropriate. Conclusion: We did not identify any instances of fraud.
3. Accounting for non-current assets SEStran owns a significant number of non-current assets which are disclosed on the entity's balance sheet. The measurement, valuation and disclosures of these material balances require significant accounting estimates and judgement. Management is reviewing its processes for recording and managing assets, including undertaking a review of policies and procedures.	The audit team will: • Evaluate SEStran's arrangements for the valuation and accounting disclosures of non-current assets. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Test non-current asset entries to confirm the existence of assets and the completeness of the asset register.	• We evaluated the arrangements for the valuation and disclosure of non-current assets. Our findings and conclusions are contained in Exhibit 2.

Source: Audit Scotland

Prior year recommendations

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

Financial Sustainability and Best Value audit

Conclusion

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

Audit approach to wider scope and Best Value

Wider scope

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

Best Value

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

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

Conclusions on Financial Sustainability

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

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

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

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

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

Funding for People and Place has increased in 2025/26

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

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

Financial planning should consider a longer timeframe

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

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

Recommendation 2

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

Arrangements for achieving Best Value

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

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

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

Appendix 1

Action plan 2024/25

2024/25 recommendations

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

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Accounting for non-current assets Our review of the asset register and corresponding entries in the 2023/24 unaudited accounts found a number of material errors. There is a risk that accounting records for non-current assets are not accurate or adequately maintained.	SEStran should undertake a full review of its asset management procedures, ensuring that the asset register fully reflects the assets in use. The partnership should: • Review and update the accounting policy for non-current assets in line with Code requirements. • Improve the asset register to provide a direct link to the disclosures in the accounts. • Ensure that that physical items are appropriately tagged to create a direct link between the register and the asset. • Ensure that impairment reviews are carried out on a regular basis, including physical inspection of assets. • Review the useful life of all assets annually to assess if a change in estimate is required. Agreed action: SEStran will devise an Asset Management Strategy and submit it for approval at the Partnership's Board in March 2025. The strategy, which will address all of the points raised by the auditors, will be fully implemented immediately following approval. However, many of the actions emerging as part of the strategy will be implemented prior to the financial year end. Responsible officer: Partnership Director Target date: Strategy approved by end March 2025 and fully implemented by June 2025	Implemented The partnership has made significant positive steps to ensure its records are accurate. We have made further recommendations in our 2024/25 audit report relating to the derecognition and disposal of assets.

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

Appendix 2

Supporting national and performance audit reports

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

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