



Annual Audit Report for NESTRANS

For the year ended 31 March 2025

13 November 2025

Prepared for those Charged with Governance and the Accounts
Commission



Table of contents

01	Headlines	03
02	Our approach to materiality	07
03	Overview of significant risks identified	10
04	Other findings	18
05	Communication requirements and other responsibilities	20
06	Audit adjustments	24
07	Wider scope and best value arrangements	28
08	Independence considerations	39
	<i>Appendices</i>	
A	Communication of audit matters with those charged with governance	44
B	Action plan	46
C	Follow up on previous recommendations	47

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect NESTRANS or all weaknesses in your internal controls.

This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third part acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1 Headlines

Summary of the key findings and other matters arising from the external audit of NESTRANS and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (NESTRANS Board) and the Accounts Commission.

Financial statements

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

- NESTRANS's financial statements give a true and fair view of the financial position of the organisation at the 31 March 2025 and of the net expenditure of the organisation for the year then ended;
- NESTRANS's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 CIPFA Code of Audit Practice;
- NESTRANS' financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether other information published together with the audited financial statements in the Annual Report and Accounts is materially consistent with the financial statements or our knowledge obtained in the audit, has been prepared in accordance with the requirements or otherwise appears to be materially misstated.

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

We received the first draft of the financial statements with working papers on 26 June 2025 which were presented on time. We have been supported by NESTRANS's officers during the audit process with effective working relationships and commitment to the audit process.

At the audit planning stage, it was identified that the audit would be delivered in a later cycle than the Audit Scotland target timelines (by the end of August). This was due to audit staff availability. The timeline agreed to conduct the audit was September, with closure in October, and final Board on 12 November 2025.

There was one area of additional fee identified as there was a new area of work during 2024/25, to assess the accounting and implementation of IFRS16 and associated disclosure notes. The additional fee for this work was £1,500. Full details are set out on page 40.

Our findings are summarised on pages 10 - 27. We have not identified any adjustments to the primary financial statements above our reporting threshold. We have identified several disclosure amendments that management has adjusted. The amendments are detailed on pages 25 to 27.

Summary of the key findings and other matters arising from the external audit of NESTRANS and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (NESTRANS Board) and the Accounts Commission.

Financial statements

We have raised no recommendations for management as a result of our audit work on the financial statements. There were two recommendations from 2023/24 which remained outstanding, and we have followed up on as part of the 2024/25 audit. Both recommendations have now been closed. Our follow up of recommendations from the prior year's audit are detailed in [Appendix C](#).

Our work is complete. **We issued an unmodified opinion on the financial statements on 13 November 2025.**

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

We would like to thank officers for their co-operation during the audit process.

Adding value through our audit work

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

We invited members of your financial reporting team to our annual Local Government Chief Accountants workshop and IFRS 16 webinar, both of which were led by our internal financial reporting technical team.

Headlines (3)

Summary of the key findings and other matters arising from the external audit of NESTRANS and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (NESTRANS Board) and the Accounts Commission.

Wider scope and best value arrangements

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

As required by the Code and this supporting guidance, we have assessed both the quantitative and qualitative risk factors related to NESTRANS and concluded that NESTRANS qualifies for this exemption for 2024/25.

A review of the Annual Governance Statement and concluding on financial sustainability are the areas of scope for the wider scope work. We did not raise any significant issues in relation to the disclosure within the Annual Governance Statement.

Furthermore, bodies in Scotland have a legal duty to deliver “Best Value” in their services. This means they must make arrangements to ensure continuous improvement in their performance, while maintaining a balance between quality and cost, and consider economy, efficiency, effectiveness, equal opportunities and sustainable development.

There are adequate arrangements in place for securing best value at NESTRANS.

Financial sustainability

NESTRANS’ incurred £6.689 million of expenditure during 2024/25, with income received during the year totalling £5.602 million. This resulted in a deficit of £1.087 million which was funded by usable general reserves as planned as part of the 2024/25 revised budget.

As part of the 2025/26 budget setting process, NESTRANS presented a Medium-Term Financial Strategy to the Board on 19 February 2025. This was the first iteration of the strategy as NESTRANS have not previously prepared longer term financial plans. Furthermore, a Reserves Policy has also been approved by the Board to establish a use for surplus general reserves balances currently held.

We have raised one recommendation for management as a result of our audit work on wider scope. This can be found in [Appendix B](#). There were three recommendations which remained outstanding from our previous audits, which have been followed up in the 2024/25 audit. All recommendations have now been closed and our follow up of these recommendations are detailed in [Appendix C](#).

Further details of the work undertaken is outlined on page 28.

2 Our approach to materiality

Our approach to materiality (1)

As communicated in our Audit Plan dated 30 January 2025, we determined materiality at the planning stage as £0.138 million based on 2.5% of prior year gross expenditure. On receipt of draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out here.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£0.167 million	This is equivalent to approximately 2.5% of the gross expenditure for the period ended 31 March 2025. Our materiality has been updated to reflect the 2024/25 figures in the draft financial statements although there has been no change to the % outlined within our audit plan. In 2023/24, materiality was £0.083 million, which represented 2% of gross expenditure.
Performance materiality for the financial statements	£0.125 million	Performance materiality has been set at 75% of financial statements materiality. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In 2023/24, performance materiality was £0.062 million which represented 75% of our calculated materiality.

Our approach to materiality (2)

Materiality area	Amount (£)	Qualitative factors considered
Reporting threshold	£0.008 million	<p>This balance is set at 5% of materiality.</p> <p>In 2023/24, our trivial threshold was £0.004 million, and 5% of materiality.</p>
Auditable elements of the Remuneration Report The analysis of staff numbers and costs note will be audited at headline materiality.	£25,000	<p>Due to the public interest in the specified remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for the specified remuneration disclosures.</p> <p>We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.</p> <p>The performance materiality for these elements are £18,750, based upon 75% of lower materiality (2023/24 was £18,750 and 75%).</p>

3 Overview of significant risks identified

Overview of significant risks identified

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

As part of our consideration of risks relating to fraudulent financial reporting, we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage income and expenditure in order to influence NESTRANS's year-end performance.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Findings
Risk 1 Management override of controls	Significant	↔	✓	Low	●
Risk 2 Valuation of defined benefit pensions scheme	Significant	↔	✗	High	●
Risk 3 Fraud in revenue expenditure	Significant	↔	✓	Medium	●
Risk 4 Valuation of IFRS16 right of use assets	Other	↔	✗	Low	●

Key:

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan



No adjustment or change in disclosure required



Non-material adjustment or change in disclosure required



Material adjustment or change in disclosure required

Overview of significant risks identified – financial statements

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p>Management override of controls</p> <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 have:</p> <ul style="list-style-type: none"> documented an understanding of and evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals and tested these journals identified; challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias; tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and Evaluated any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work has not identified any significant issues in respect of management override of controls.</p> <p>We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements.</p>

Overview of significant risks identified – financial statements (2)

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p>Valuation of defined benefit pension scheme</p> <p>NESTRANS participates in the North East Scotland Pension Fund (NESPF), a local government pension scheme. There is an established Pension Fund protocol in place with Pension Fund auditors to provide external auditors with relevant assurance.</p> <p>The local government pension scheme is a defined benefit pension scheme and in accordance with IAS 19: Employee Benefits, NESTRANS is required to recognise its share of the scheme assets and liabilities in its Statement of Financial Position.</p> <p>In 2024/25, management 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's 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. The net liability arising from the unfunded defined benefit obligation remained as there is no right to offset this.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work; evaluated the assumptions made by Hymans Robertson in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland; evaluated the data used by management's experts in the calculation of the estimates; performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations; assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the financial statements; and reviewed management's assessment of the application of IFRIC 14 evaluated the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes 	<p>NESTRANS used a new actuary in 2024/25 (Hymans Robertson), and our procedures included a review over the information NESTRANS provided to the actuary (and pension fund) on which the pension estimates were made. Furthermore, as part of our IAS 19 assurance protocol request, the auditor of the North East Scotland Pension Fund (NESPF) provided an evaluation of the design of the controls related to the accuracy and completeness of source data provided to the actuary, with no issues being raised.</p> <p>Usually local government scheme (LGPS) pension liabilities calculated on an IAS 19 basis exceed any pension assets and members of the LGPS recognise a net pension liability on their balance sheet. However, a net defined benefit asset may arise where the defined benefit plan has been overfunded or where actuarial gains have arisen. This was the case for NESTRANS, where the pension asset exceeded the pension liability by £1.427 million.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The pension asset can be recognised at the lower of the net pension asset or the present value of any economic benefits available.</p>

Overview of significant risks identified – financial statements (3)

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p>Valuation of defined benefit pension scheme (continued)</p> <p>The actuary, Hymans Robertson, provides an annual IAS 19 actuarial valuation of NESTRANS's 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>Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these.</p> <p>We therefore consider this to be a significant risk to our audit and a key audit matter.</p>		<p>NESTRANS requested an IFRIC14 assessment from the actuary which capped the pension asset at £nil. This was due to the IFRIC14 assessment where the present value of the benefits available were lower than the pension asset.</p> <p>We identified that the pensions disclosure note had a variance of £0.034 million between the annual accounts and the actuary's report. This related to the fair value of plan assets and net asset reduction applied. This was due to NESTRANS using an initial version of the actuary's report which used estimated data for rate of return. NESTRANS have updated the disclosure to reflect the actual data included in the final version of the actuary's report.</p> <p>We concluded that the pension figures had been disclosed appropriately in the 2024/25 financial statements.</p>

Overview of significant risks identified – financial statements (4)

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p>Fraud in Expenditure Recognition</p> <p>As set out in practice note 10 (Revised 2022) ‘The Audit of Public sector Financial Statements’, issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.</p> <p>NESTRANS’s 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 focussed our risk on the non-payroll expenditure streams. Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll/non finance expenditure.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with CIPFA Code of Audit Practice 2024/25; performed 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; reviewed the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenged management accordingly. 	<p>Our audit work has not identified any material issues in respect of expenditure recognition.</p>

Overview of significant risks identified – financial statements (5)

Risk rebutted in our identified in our Audit Plan	Audit procedures performed	Key observations
<p>Fraud in Revenue Recognition (occurrence)</p> <p>As set out in ISA (UK) 240 (Revised May 2021) there is a presumed risk that revenue may be misstated due to improper recognition of revenue in all entities.</p> <p>The risk of management manipulation and fraud is deemed to be low in relation to income. We have therefore rebutted the risk of fraud in revenue in relation to these income streams.</p> <p>(rebutted significant risk)</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated your accounting policy for recognition for appropriateness and compliance with the CIPFA Code of Audit Practice; • performed substantive testing of transactions at and around year end to verify the accounting period the transactions relate to and confirm that transactions have been recognised in the correct accounting period; • reviewed post year end receipts and verify the accounting period these transactions relate to and confirm they have been accounted for in the correct accounting period; and • reviewed the judgements and estimates made by management when recognising accrued and deferred income at year end within the financial statements and where appropriate challenge management accordingly. 	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>

Other risks identified – financial statements

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p>1. Valuation of IFRS16 right of use assets</p> <p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, NESTRANS was required to adopt IFRS 16 Leases. 2024/25 was the first year NESTRANS accounted 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 resulted 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>As 2024/25 is the initial year of inception, additional disclosure is required in the first year to disclose the impact.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and controls for the introduction or right of use assets and associated liabilities into the financial statements. reviewed the calculations for each right of use asset included on the Balance Sheet to confirm the asset and liability had been calculated in line with IFRS 16 guidance performed a completeness review over the operating leases included in the prior year accounts to confirm whether all relevant leases had been considered in accordance with IFRS 16 reviewed whether there are any peppercorn leases to confirm whether they had been considered in accordance with IFRS 16 reviewed the disclosures included in the financial statements to confirm all expected disclosures had been input as outlined the Code of Audit Practice. 	<p>Our audit work has not identified any significant issues in respect of the valuation of IFRS16 leases.</p> <p>We identified that the IFRS 16 note disclosure required to be updated to show the split between the right of use asset and the associated lease liability. These had incorrectly been shown together in the draft accounts.</p> <p>The work on IFRS16 is a new significant risk are for 2024/25 and is therefore subject to additional audit fee.</p>

4 Other findings

Other findings – information technology

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

IT application	Level of assessment performed	Related significant risks / other risks
Oracle EBS (General Ledger Aberdeenshire Council)	ITCG design and implementation effectiveness only.	All significant risks
iTrent (Payroll Aberdeenshire Council)	ITCG design and implementation effectiveness only.	Valuation of defined benefit pension scheme

As NESTRANS utilises the same systems as Aberdeenshire Council, we place reliance over the ITGC work completed by the Aberdeenshire Council audit team. During 2024/25, the Aberdeenshire Council audit team identified one minor control deficiency relating to the iTrent system. This has been raised with Aberdeenshire Council's payroll team who will be followed up in the 2025/26 audit of Aberdeenshire Council. The deficiency did not represent an additional risk to our audit of NESTRANS.

No further issues identified from our ITGC work.

5 Communication requirements and other responsibilities

Communication requirements

Issue	Commentary
Matters in relation to fraud and irregularity	It is NESTRANS's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding NESTRANS's assessment of fraud risk, including internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed in the Annual Report and Accounts.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at NESTRANS.
Written representations	A letter of representation has been requested from the NESTRANS as required by auditing standards. This can be found as a separate item to this report. We request a standard letter of representation.
Accounting practices	We have evaluated the appropriateness of NESTRANS's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in the Audit Adjustment section of this report.
Other returns to Audit Scotland	In accordance with the Audit Scotland Planning Guidance, as appointed auditors, we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

Other responsibilities

Issue

Commentary

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities.
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of NESTRANS's financial sustainability is addressed by our wider scope work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by NESTRANS meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of NESTRANS and the environment in which it operates
- NESTRANS's financial reporting framework
- NESTRANS's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's assessment of the appropriateness of the going concern basis of accounting and on the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (2)

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Minor amendments have been made to the Annual Report and we are satisfied that there are no unadjusted material inconsistencies to report. Additional information on performance has been added into the Management Commentary in 2024/25 following a previous audit recommendation.</p>
Auditable elements of Remuneration Report	<p>We are required to give an opinion on whether the parts of the Remuneration Report subject to audit have been prepared properly in accordance with the requirements of the CIPFA Code of Audit Practice 2024/25, and directions there under.</p> <p>We have audited the elements of the Remuneration Report and there are no issues to report to you. Additional disclosure was added to the accounts to clearly indicate which tables have been subject to audit.</p>
Annual Governance Statement	<p>We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Delivering Good Governance Local Government: Framework 2016.</p> <p>No inconsistencies have been identified and we plan to issue an unqualified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept; the financial statements and the audit part of the Remuneration are not in agreement with the accounting records; we have not received all the information and explanations we require for our audit; or there has been a failure to achieve a prescribed financial objective. <p>We have nothing to report on these matters.</p>

6 Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

During the course of the audit, there were no adjusted non-trivial misstatements which were made that require reporting within our Annual Audit Report.

Impact of unadjusted misstatements

During the course of the audit, there were no unadjusted non-trivial misstatements which were made that require reporting within our Annual Audit Report.

Impact of unadjusted misstatements – prior year

There were no prior year unadjusted misstatements.

Audit adjustments (2)

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Review of Annual Report and Accounts (General)	We identified minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	✓
Other Information	We have identified minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management.	✓
Remuneration Report	We identified that additional disclosure should be added to the Remuneration Report to make it clear which tables have been subject to audit.	✓
Note 3 - Expenditure and Funding Analysis (EFA)	We identified that references in the EFA to income from Council Tax and Business Rates were incorrect and should be updated to show the correct nature of this income.	✓
Note 4 – Significant Accounting Policies	We identified that the accounting policies should disclose the weighted average of the incremental borrowing rate applied to lease liabilities recognised at the date of initial application of 5.36%.	✓
Note 16 – Defined Benefit Pension Schemes	We identified that additional disclosure was required to confirm the reasoning for the change in pension portfolio due to the new actuary having a different investment strategy.	✓

Audit adjustments (3)

Disclosure	Misclassification or change identified	Adjusted?
Note 16 – Defined Benefit Pension Schemes (continued)	We identified that the pensions disclosure note had a variance of £0.034 million between the annual accounts and the actuary's report. This related to the fair value of plan assets and net asset reduction applied. This was due to NESTRANS using an initial version of the actuary's report which used estimated data for rate of return. NESTRANS have updated the disclosure to reflect the actual data included in the final version of the actuary's report.	✓
Note 17 – Detailed Performance Figures	We identified that additional disclosure should be added to the note to detail the reasoning behind the underspend identified at this note.	✓
Note 19 – Financial Instruments	We identified that NESTRANS had included £0.113 million in within financial liabilities for grants received in advance which are not considered to be a financial instrument. This has been adjusted for in the accounts.	✓
Note 20 - Leases	We identified that the IFRS 16 note disclosure required to be updated to show the split between the right of use asset and the associated lease liability. These had incorrectly been shown together in the draft accounts.	✓

7 Wider scope and best value arrangements

Wider scope audit

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 have not exceeded 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 conclusions

This section of our report documents our conclusions from audit work on the wider scope area of financial sustainability, as set out in the Code. We take a risk-based audit approach to wider scope work.

Wider scope area	Our risk considerations and focus	Significant risk identified - final stage	Wider scope conclusion
Financial Sustainability	The projected financial position of NESTRANS in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future	No	<div></div> <p>We have not identified a significant risk in relation to financial sustainability. NESTRANS have developed a Medium-Term Financial Strategy which sets out future costs over a five-year period. Current general fund reserves balances are in excess of the limit set in the Reserves Policy, and NESTRANS are developing plans for utilising unallocated reserves in future years. Due to the nature of how NESTRANS is funded, there are no significant budget gaps identified over the life of the Medium-Term Financial Strategy.</p> <p>Appropriate arrangements are in place, with one minor improvement recommendation being made in relation to the review of assumptions used as part of the Medium-Term Financial Strategy.</p>

- No risks identified
- Other risks identified.
- Significant risk identified.

Wider scope audit (2)

This section of our report sets out our conclusions from our audit work on the wider scope area of financial sustainability. This considers the medium to longer term financial position of NESTRANS.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>2024/25 Plan and Outturn</p> <p>The budget for 2024/25 was presented to the February 2024 Board Meeting. The budget is split in two parts:</p> <ul style="list-style-type: none">• The Coordination and Project Development budget and;• The Strategic Investment Programme funding budget <p>The 2024/25 Coordination and Project Development budget agreed at the February 2024 Board meeting showed an anticipated budget of £1.026 million. This was 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 final agreed budget for 2024/25 was £1.109 million.</p> <p>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 final agreed budget for 2024/25 is £3.811 million.</p> <p>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 and increased to £1.798 million following additional funding being provided during the year.</p> <p>This resulted in a final revised budget for 2024/25 of £6.718 million.</p> <p>The movement in the budget during the year is reflected on the next page.</p>	<p>The initial 2024/25 budget was approved by the Board in February 2024.</p> <p>Following several budget amendments during the year, the final revised budget for 2024/25 totalled £6.718 million.</p>

Wider scope audit (3)

Audit plan risk	Wider scope audit response							Conclusion	
No significant risk identified at planning.	2024/25 Plan and Outturn (continued)							Significant revisions were made to the budget during 2024/25. All revision were reported to the Board as part of the financial monitoring reports taken to each Board meeting.	
	The movement in the budget during 2024/25 is shown in the table below:								
		Feb 2024	Apr 2024	Jun 2024	Sept 2024	Nov 2024	Feb 2025		Final 2025
	Coordination & Project Development	£1.026m	£1.172m	£1.172m	£1.225m	£1.225m	£1.154m		£1.109m
	Strategic Investment Programme	£3.685m	£4.349m	£4.349m	£4.594m	£4.796m	£4.144m		£3.811m
	People and Place Grant Funding	-	-	£1.738m	£1.738m	£1.738m	£1.738m		£1.798m
	Total Revised Budget	£4.711m	£5.521m	£7.259m	£7.557m	£7.759m	£7.036m		£6.718m
<p>The significant revisions to the budget in the final months of the financial year were due to work programmes being delayed in a number of areas. This resulted in projects being carried forward into 2025/26. All amendments made to the budget were presented to the Board as part of the monitoring reports taken to each Board meeting.</p> <p>The actual outturn for the year was a deficit of £1.087 million, with expenditure of £6.689 million and income of £5.602 million.</p> <p>As part of the approved 2024/25 budget, the Board agreed to meet the shortfall against the budget proposals from the unallocated General Fund Reserve. The total reserves balance NESTRANS planned to use was £1.761 million, however due to additional funding received in year, only £1.087 million of reserves balances were utilised in year.</p>									

Wider scope audit (4)

Audit plan risk	Wider scope audit response	Conclusion	
No significant risk identified at planning.	2024/25 Plan and Outturn The outturn for the year is reflected in the table below:		
		Revised Budget 2024/25	Actual 2024/25
		(£000s)	(£000s)
	Total operating expenses	6,718	6,689
	Total income	(4,957)	(5,602)
	Net deficit before reserves	1,761	1,087
	Use of reserves	(1,761)	(1,087)
2025/26 Financial Planning The budget for the 2025/26 financial year was presented to the February 2025 Board Meeting. The budget is split in two parts: <ul style="list-style-type: none"> the Coordination and Project Development budget and; the Strategic Investment Programme funding budget The 2025/26 Coordination and Project Development budget agreed at the February 2025 Board meeting showed an anticipated budget of £1.044 million. This is based on the contribution expected from Council partners and the Scottish Government for the implementation of the Regional Transport Strategy to 2040. Further budget amendments were made at subsequent Board meetings held during 2025/26, and the current agreed budget for 2025/26 is £1.092 million.			
NESTRANS' incurred £6.689 million of expenditure during 2024/25, whilst total income received during the year was £5.602 million. This resulted in a £1.087 million budget deficit against the budgeted deficit of £1.761 million. The 2025/26 Budget was approved at the February 2025 Board meeting. Further revisions to the budget have been approved by the Board during 2025/26.			

Wider scope audit (5)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>2025/26 Financial Planning (continued)</p> <p>The Strategic Investment Programme funding for 2025/26 shows an anticipated budget of £2.462 million. This is based on allocations from the partner authorities of £1.600 million, an additional sum of £0.662 million due to the significant number of projects carried forward from 2024/25 and interest income of approximately £0.200 million. The interest income has been added into budget for the first time in 2025/26 following an audit recommendation raised in the prior year. As above, further budget amendments were made at subsequent Board meetings held during 2025/26, and the current agreed budget for 2025/26 is £3.567 million.</p> <p>Following the approval of the budget, NESTRANS received a formal grant offer for the People and Place Programme funding for 2025/26, with the details presented to the Board in June 2025. Funding consists of both revenue and capital elements, and the total funding awarded is £2.163 million.</p> <p>Reserves Policy</p> <p>Section 122 of the Transport (Scotland) Act 2019, which was enacted on 19 March 2020, enables Regional Transport Partnership's to hold and contribute to a General Fund reserve.</p> <p>At the Board meeting in February 2025, the NESTRANS Board approved a new Reserves Policy. The proposed policy covers the following main areas:</p> <ul style="list-style-type: none">• the statutory parameters and professional guidance underpinning the policy;• the governance proposals for managing reserves; and• the arrangements for review of the Reserves Policy. <p>The Reserves Policy confirms that an unallocated general fund reserve minimum of £0.200 million will be established in future years. As NESTRANS have general fund reserves in excess of this total, plans for utilising unallocated reserves were presented at the April 2025 Board meeting, which confirmed that that an allocation of £0.100 million would be provided to each Council from the unallocated general reserves in 2024/25. Further plans for drawing down reserves over the next 4-5 year period will be established in the near future.</p>	NESTRANS have prepared a medium-term financial strategy covering five financial years, which will be subject to review on an annual basis.

Wider scope audit (6)

Audit plan risk	Wider scope audit response						Conclusion
No significant risk identified at planning.	Medium-Term Financial Strategy						NESTRANS have prepared a medium-term financial strategy covering five financial years, which will be subject to review on an annual basis. NESTRANS should review the assumptions used in the medium-term financial strategy and consider whether expected costs will be subject to inflationary pressure over the period.
	We have previously recommended that NESTRANS should prepare a medium-term financial strategy covering a five-year period which is subject to regular review. As part of the 2025/26 budget setting process, NESTRANS presented a Medium-Term Financial Strategy to the Board on 19 February 2025.						
	The draft proposals have been based on an assumed continuation of contribution levels from Council partners and the Scottish Government at the previous year’s levels.						
		2025/26	2026/27	2027/28	2028/29	2029/30	
	Coordination and Project Development	£1.048m	£0.987m	£0.987m	£0.987m	£0.987m	
	Strategic Investment Programme	£2.462m	£1.600m	£1.600m	£1.600m	£1.600m	
	Total	£3.510m	£2.587m	£2.587m	£2.587m	£2.587m	
The core costs within the Coordination and Project Development budget reflect the staffing and running costs of NESTRANS and have been based on previous allocations and expenditure, with adjustments applied where necessary to reflect any anticipated increases in charges in the year ahead, such as making an allowance for a potential 3% increase in salaries. We did note that the five-year plan does not factor in any other inflationary cost pressures and NESTRANS should review the assumptions used and confirm whether other costs may be subject to inflation cost increase in future years. See recommendation at Appendix B.							
The Medium-Term Financial Strategy will be subject to review each year as part of the annual budget setting process.							

Wider scope audit (7)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>Performance Reporting</p> <p>NESTRANS Regional Transport Strategy “Nestrans2040” was approved by the Minister for Transport in November 2021. As part of this strategy, the NESTRANS Board agreed that a Monitoring framework be introduced, which will set baselines for key indicators and targets (to both 2030 and 2040). These key indicators are reported annually to the Board so that policies can be tracked and if necessary, adjusted towards achieving the targets.</p> <p>Alongside the key indicators, on a three-yearly basis, NESTRANS will complete an evaluation report which includes additional data of interest. The first three-year monitoring report went to Board in June 2024 and is published on the NESTRANS website.</p> <p>The fourth monitoring report for the Strategy was reported to the Nestrans Board in April 2025 and is now published on the Nestrans website. It sets out the overall aim and provides the baseline and targets, including interim targets for 2040 where applicable, for a range of focussed indicators linked to each of the strategy's six priorities. Twenty indicators have been selected and agreed to measure the effectiveness of policies and interventions in moving towards achieving the strategy's six main priorities.</p> <p>The monitoring report was designed to show progress against the main priorities of the Regional Transport Strategy. During 2024/25, NESTRANS have created a Monitoring Dashboard to illustrate performance against key indicators. The Dashboard includes all key performance indicators and is easily accessible via the performance section on NESTRANS website. The Dashboard shows that currently, 13 of the 20 indicators are progressing towards the set Regional Transport targets.</p> <p>A review of the performance shows that NESTRANS have positive performance trends in all indicators for road casualty reduction and reducing harmful emissions. NESTRANS are experiencing challenge in the connectivity indicators as all journey types are taking longer than 2018 benchmark levels.</p>	NESTRANS have introduced the Monitoring Dashboard which presents performance information against 20 key indicators.

Wider scope audit (8)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>Strategic Planning</p> <p>The Business Plan for 2024/25 was included with the Annual Report for 2023/24 and reported to Board in November 2024.</p> <p>In response to the recommendation raised in the previous audit, the Business Plan for 25/26 was decoupled from the Annual Report. NESTRANS presented the 2025/26 Business Plan for approval by the Board at the 24 April 2025 Board meeting. The Business Plan sets out the planned activities for the year, the delivery of the Transport Strategy, and the wider partnership activities. The activities laid out in the plan are linked through to the 2025/26 budget.</p> <p>The Business Plan also sets out the key projects NESTRANS will fund as part of the People and Place Programme. There are 18 projects which NESTRANS will support with funding and NESTRANS will manage and monitor the performance of the delivery partners appointed for each project within the approved programme.</p>	The NESTRANS Board approved the 2025/26 Business Plan in April 2025.

Best value arrangements

The Code of Audit Practice requires that auditors assess and report on audited bodies' performance in meeting their Best Value duties as part of the annual audit.

The duty of Best Value includes:

- to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance,
- to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

The Code of Audit Practice requires that auditors incorporate the themes of Best Value in the work as part of the annual audit in the remit of work required to be undertaken as part of the wider scope.

NESTRANS has adequate arrangements in place with regards best value.

8 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 and managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No breaches have been identified by the team.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and NESTRANS that may reasonably be thought to bear on our integrity, independence and objectivity.
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 organisation as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and NESTRANS.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of NESTRANS's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person (and network firms) 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.

Fees and non-audit services

We confirm below our final fee charged for the audit and confirm there were no fees for the provision of non-audit services.

External Audit Fee	Planned Fees	Final Fees
Auditor Remuneration	£24,950	£26,450*
Pooled Costs	£630	£630
Sectoral Cap Adjustments	-£12,780	-£12,780
2024/25 Audit Fee	£12,800	£14,300

This covers all services provided by us and our network to NESTRANS, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Fees for other non-audit services	Final Fees
We confirm that for 2024/25 we did not receive any fees for non-audit services	Nil

This Annual Audit Report was considered by the NESTRANS Board on 12 November 2025 including agreement of audit fees.

*Additional auditor remuneration is levied in total for £1,500, bringing the total audit fee to £14,300. As detailed in our Audit Plan from March 2025, additional fees were identified that the additional work required on the new accounting standard IFRS16 would be in addition to base fee. NESTRANS have just been informed of the final additional fee at the end of the audit, so understandably this is not accrued in the financial statements.

The fees reconcile to the financial statements as follows:

• fees per financial statements (rounded)	£13,000
• 2024/25 additional fee levied (as above)	£1,500
• total fees per above	£14,300

Fees and non-audit services (2)

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA.

If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [transparency-report-2024-.pdf](#)

9 Appendices

A. 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	●	
Confirmed no reliance on 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	●	●

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.

Distribution of this Annual Audit Report

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

A. Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Annual Audit Report
Views about the qualitative aspects of the organisation'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		●
Expected modifications to the auditor's report, or emphasis of matter		●

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 Annual Audit Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

B. Action plan

We set out here our recommendations for the organisation which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. We have identified one recommendations in relation to wider scope.

Issue	Management response
<p>Medium-term financial planning</p> <p>NESTRANS have prepared a Medium-Term Financial Strategy covering the next five financial years. As part of this Strategy, NESTRANS have projected core costs across the five-year period, however the only consideration of inflationary costs pressures have been in relation to staff costs.</p> <p>There has been no consideration of the impact of other inflationary cost pressures as part of future financial projections, and we noted that some costs have been reduced in future years due to assumed available funding.</p> <p>Recommendation:</p> <p>NESTRANS should review the assumptions used as part of the scenario planning and confirm if they are realistic.</p>	<p>Responsible officer:</p> <p>Implementation date:</p>

C. Follow up of previous recommendations – financial statements

We identified two financial statements recommendations in the audit of NESTRANS’s 2023/24 audit, and both have been cleared during 2024/25.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	<p>1. IFRS16</p> <p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, NESTRANS will be required to adopt IFRS 16 Leases in 2024/25. NESTRANS did not choose to undertake early adoption of IFRS 16 and therefore 2024/25 will be the first year NESTRANS will account for leases in line with IFRS 16.</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>Recommendation: NESTRANS should ensure that it understands the full accounting requirements of IFRS 16 and have identified all potential leases which will fall under IFRS 16, if this is relevant. NESTRANS will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard.</p>	<p>NESTRANS assessed IFRS16 leases and added them to the balance sheet as part of the 2024/25 financial statements.</p> <p>This action is complete.</p>

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of previous recommendations – financial statements (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	<p>2. Performance information</p> <p>There is limited information on NESTRANS performance included within the Annual Accounts. The narrative within the management commentary could be improved by including additional information on NESTRANS’s performance during the financial year.</p> <p>Recommendation: NESTRANS should include additional performance information within the Management Commentary which provides detail on progress against key performance indicators</p>	<p>The 2024/25 Annual Accounts includes a section on key performance indicators within the management commentary. NESTRANS have included a hyperlink to their monitoring dashboard, which has been created during 2024/25 to illustrate progress made against key performance indicators.</p> <p>Including this detail as a hyperlink allows readers of the accounts easy access to NESTRANS main performance data and is an improvement to the reporting in the management commentary.</p> <p>This action is complete.</p>

C. Follow up of previous recommendations – wider scope and best value

We identified two wider scope recommendations in the audit of NESTRANS’s 2023/24 wider scope audit. In addition, one recommendation in relation to wider scope was also ongoing from the 2022/23 audit. All three recommendations have been actioned and cleared during 2024/25.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	<p>1. Budget setting (2023/24 recommendation)</p> <p>In 2023/24, NESTRANS received interest income totalling £0.240 million which was not originally included in NESTRANS budget planning. Furthermore, as part of the 2024/25 budget, NESTRANS have not incorporated any interest income as part of the budget.</p> <p>Recommendation: NESTRANS should review whether a level of interest income should be incorporated into the budget setting process for 2025/26.</p>	<p>In response to the audit recommendation, management have included a level of interest income in the approved budget for 2025/26.</p> <p>This action is complete.</p>
Complete	<p>2. Annual Business Plan (2023/24 recommendation)</p> <p>NESTRANS prepare an annual Business Plan which identifies the main objectives and projects NESTRANS aim to deliver over the coming year. The Business Plan for 2024/25 was included as part of the Annual Report 2023/24 rather than a separate item.</p> <p>Recommendation: NESTRANS should complete the Business Plan as soon as practicable and formally present to the Board for approval.</p>	<p>The Business Plan for 2024/25 was included with the Annual Report for 2023/24 and reported to Board in November 2024.</p> <p>Following this, NESTRANS focused on the preparation of a 2025/26 Business Plan which was approved by the Board on 24 April 2025, therefore decoupled from the Annual Report. The plan sets out the planned activities for the year with respect to NESTRANS statutory requirements, the delivery of the Transport Strategy, and the wider partnership activities.</p> <p>This action is complete.</p>

C. Follow up of previous recommendations – wider scope and best value (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	<p>3. Medium term financial planning (2022/23 recommendation)</p> <p>When the budget proposals were reported to Board in February 2024, it was confirmed by NESTRANS that the usual three-year plan proposals would instead be replaced by a longer-term five-year plan.</p> <p>Due to the uncertainties regarding potential changes to funding mechanisms, particularly around replacement of the RTP Active Travel grant from Scottish Government with regional funding for an active travel behaviour change programme, it was agreed by NESTRANS that this would be reported for consideration at a future Board meeting.</p> <p>Nestrans are currently developing the five-year delivery plan which will be reported at a future Board meeting.</p> <p>Recommendation: NESTRANS should prepare a medium-term financial strategy covering at least the next 5 years and regularly review this strategy, for changing conditions and assumptions.</p>	<p>NESTRANS presented a five-year financial plan to the Board on 25 September 2024. This is the first iteration of the plan and NESTRANS intend to review the plan annually.</p> <p>The five-year plan reviews NESTRANS projected revenue and expenditure over the five-year period to 2028/29 and identifies areas of challenge and opportunity during that period.</p> <p>This action is complete.</p>



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