

South West of Scotland Transport Partnership

2024/25 Annual Audit Report



Prepared for South West of Scotland Transport Partnership and the Controller of Audit
November 2025

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Accessibility

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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** All audit adjustments required to correct the financial statements were processed by South West of Scotland Transport Partnership (SWestrans).

Financial Sustainability and Best Value audit

- 3** SWestrans has no medium or long-term financial plan and needs to develop a strategic approach to planning.
 - 4** SWestrans has appropriate arrangements in place for securing Best Value.
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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 West of Scotland Transport Partnership's (SWestrans) annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to SWestrans, hereafter referred to as 'the body' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Peter Lindsay, 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, Peter Lindsay 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 the Annual Governance Statement.
- Concluding on the financial sustainability of the body and a review of the Annual Governance Statement.
- 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 body and SWestrans Board. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

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

All audit adjustments required to correct the financial statements were processed by the body.

Audit opinions on the annual accounts

12. The body's annual accounts were approved by the SWestrans Board on 21 November 2025 and certified by the appointed auditor on 21 November 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 were received in accordance with the agreed audit timetable on 23 June 2025. Due to the adoption of International Financial Reporting Standard (IFRS) 16 in respect of leases which came into effect from 1 April 2024 for local authority bodies, the audit team entered into discussions with finance officers at the start of April 2025 to discuss the treatment of buses leased by SWestrans to private bus operators as specific route tenders. In previous years, SWestrans has accounted for these buses as operating leases and after detailed discussions between the audit team and finance officers with reference to relevant accounting guidance, it was agreed that buses should be accounted for as finance leases.

14. During this time, finance officers agreed the unaudited annual accounts would be prepared on basis that leases would remain as operating leases until interpretation of accounting standard was confirmed. This approach was outlined in the covering report presented to the Board along with the unaudited annual accounts in June 2025, which also highlighted that the unaudited annual accounts might need to be updated.

15. Officers undertook extensive work to adjust the unaudited annual accounts provided for audit to ensure compliance with the agreed accounting treatment of these buses as finance leases, which included changes to the 2024/25 figures and the restatement of 2023/24 figures. As

a result, there was a delay in receiving the updated unaudited annual accounts and associated working papers, which impacted on the audit timetable and delayed the agreed date for certification of the annual accounts (see [Exhibit 2](#) for a more detailed explanation). The audit completion process was also impacted by the late audit evidence provided in relation to the transfer of ownership for a sample of buses selected for audit testing. This was in part due to the tendering process for the procurement of the local bus network in Dumfries and Galloway that took place during 2025 and officers have advised that arrangements in relation to the recording of ownership of buses have recently been reviewed and updated as a result.

Audit Fee

16. 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

17. 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.

18. 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.

19. 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 SWestrans

Materiality	Amount
Materiality – set at 2% of gross expenditure.	£117,000

Materiality	Amount
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.	£76,000
Reporting threshold – set at 5% of materiality.	£5,850

Source: Audit Scotland

Significant findings and key audit matters

20. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the body is the SWestrans Board.

21. 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.

22. 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.

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

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Accounting for leases</p> <p>As highlighted in Paragraphs 13 to 15, the unaudited annual accounts provided for audit did not reflect the accounting treatment of buses as finance leases.</p> <p>This specifically impacts upon the buses leased by SWestrans to private bus operators as part of specific route contracts.</p> <p>Officers undertook extensive work to adjust the unaudited annual accounts provided for audit to ensure compliance with the agreed accounting treatment, which included changes to the 2024/25 figures and the restatement of 2023/24 figures. The main impact of the adjustment was to reduce the value of the buses disclosed in the Balance Sheet within the annual accounts for 2024/25 from £1.847 million to nil, which in turn reduced the Net Assets and Total Reserves in the Balance Sheet by the same amount to nil. The surplus reported in the Comprehensive Income and Expenditure Statement for 2024/25 also reduced from £0.825 million to nil.</p> <p>In addition, the value of the buses disclosed in the Balance Sheet within the annual accounts for 2023/24 reduced from £1.022 million to nil, which in turn reduced the Net Assets and Total Reserves in the Balance Sheet by the same amount to nil. The deficit reported in the Comprehensive Income and Expenditure Statement for 2023/24 also increased from £0.258 million to £1.280 million. The adjustments to the 2023/24 annual accounts figures are detailed within Note 2 of the 2024/25 Accounts.</p> <p>As the value of these adjustments are above our materiality level, we have highlighted this as a key audit matter.</p>	<p>For information only. Audit work performed found that management has adjusted the 2024/25 SWestrans accounts to reflect the buses leased to private bus operators as finance leases in compliance with the relevant accounting standards. The prior year (2023/24) balances have also been restated correctly.</p>

Significant findings and key audit matters	Outcome
<p>Surplus Assets</p> <p>As at 31 March 2025, SWestrans held 10 buses that were deemed to be surplus to requirements. These buses have not been included in the Balance Sheet at 31 March 2025 as officers were of the view that the value of these buses was immaterial. However, these buses were sold after 31 March 2025 for a total value that was less than our reporting threshold of £5,850.</p>	<p>For information only. As the value of the buses deemed surplus to requirements were less than our reporting threshold, we did not request that officers adjust the unaudited accounts to include them.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

24. 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

25. 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 applicable accounting framework.

Significant matters discussed with management

26. All significant matters identified during the audit and discussed with the body's management have been reported in the Annual Audit Report.

Audit adjustments

27. No audit adjustments were required to the financial statements greater than the reporting threshold of £5,850.

Significant risks of material misstatement identified in the Annual Audit Plan

28. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3, \(page 12\)](#). In addition to the significant risks of material misstatement identified in the Annual Audit Plan, a further significant risk of material misstatement was subsequently identified in relation to the accounting treatment of buses leased by SWestrans to private bus operators as part of specific route tenders (as

previously highlighted in Paragraphs 13 to 15 and [Exhibit 2](#)), and this is also included in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • 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. • Carry out substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Perform focussed testing of accruals and prepayments. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • 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 issues were identified from cut-off sample testing. • No issues were identified from accruals and prepayments testing. • 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

Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>and transactions in the financial statements.</p> <ul style="list-style-type: none"> Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>estimates and there was no evidence of management bias.</p> <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Accounting for leases</p> <p>As highlighted in Paragraph 13, due to the adoption of International Financial Reporting Standard (IFRS) 16 in respect of leases which came into effect from 1 April 2024 for local authority bodies, the audit team entered into discussions with finance officers at the start of April 2025 to discuss the treatment of buses leased by SWestrans to private bus operators as specific route tenders.</p> <p>In previous years, SWestrans has accounted for these buses as operating leases and after detailed discussions between the audit team and finance officers with reference to relevant accounting guidance, it was agreed that buses should be accounted for as finance leases.</p> <p>The impact of accounting for these buses as finance leases instead of operating leases is that the value of these buses shown in the Balance Sheet of SWestrans would reduce to nil in both the prior year (2023/24) and the 2024/25 accounts. As the values of the buses in the</p>	<p>The audit team will review the adjustments to the prior year (2023/24) and 2024/25 accounts balances in respect of the change in accounting treatment of buses leased to private bus operators.</p>	<p>Audit work performed found that management has adjusted the 2024/25 SWestrans accounts to reflect the buses leased to private bus operators as finance leases in compliance with the relevant accounting standards. The prior year (2023/24) balances have also been restated correctly.</p> <p>Conclusion: the 2024/25 accounts correctly disclose the buses leased to private bus operators as finance leases in compliance with the relevant accounting standards.</p>

Risk of material misstatement	Planned audit response	Outcome of audit work
audited 2023/24 SWestrans accounts was £1.022 million, which is in excess of our materiality level, this gives rise to a potential risk of material misstatement.		

Source: Audit Scotland

Prior year recommendations

29. There were no prior year audit recommendations.

Financial Sustainability and Best Value audit

Conclusion

SWestrans has no medium or long-term financial plan and needs to develop a strategic approach to planning.

SWestrans has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

30. The Annual Audit Plan reported SWestrans 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 SWestrans.

Best Value

31. 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 SWestrans does.

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

Conclusions on Financial Sustainability

33. The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate, apart from issues that were identified with the development of a medium to long-term financial plan.

34. To date, SWestrans has been limited in its ability to prepare medium or long-term financial plans by the annual funding settlement arrangements in place with its parent, Dumfries and Galloway Council (the council). This arrangement restricts SWestrans ability to strategically plan solutions to financial sustainability challenges or to build up reserves.

35. SWestrans does however manage the rolling 3-year capital expenditure programme that operates in partnership between SWestrans and the council, which provides medium-term planning of the use of resources to be spent on the local bus network, active travel network, and development of Lockerbie rail station parking facilities.

36. In our 2022/23 Annual Audit Report we recommended that SWestrans and the council should explore funding arrangements that would facilitate the medium-term financial planning of SWestrans expenditure on supported bus services. Management responded by stating that it is recognised that medium term financial planning would significantly improve financial sustainability in relation to supported bus services and officers will work closely with the council's Senior Leadership Team to develop medium to long term budget plans, however, this may take some time to fully implement due to the annual funding settlement received from the Scottish Government.

37. In our 2023/24 Annual Audit Report (September 2024) we highlighted that the target date for the agreed management action above was March 2025 which had not yet passed. Officers have advised that progress on this matter has been delayed due to ongoing short-term funding settlements, temporary contract extensions and changes in lead officers over the past couple of years. However, the importance of establishing a medium-term financial strategy is well recognised. With the recent conclusion of bus tendering for contracts of 3 years plus an option to extend for 4 years, SWestrans officers and council Senior Leadership Team are now better positioned to develop the strategy from 2026/27. We will monitor progress in this area.

38. During 2024/25 SWestrans commenced the tendering process for the procurement of the local bus network in Dumfries and Galloway. Tenders were prepared with a standard contract period of 3 years plus an option to extend for 4 years. The aim of this was to provide the bus operators with a significantly longer contractual period and to provide them with further sustainability and certainty to operate in the region. SWestrans used the Competitive Procedure with Negotiation (CPN) model to provide an appropriate balance between minimising the risk of a limited response to the procurement process and the opportunity to source best value and efficiency in the tender returns.

39. Following the procurement process, 45 long-term contracts were awarded to local operators to deliver the subsidised bus network across the region. The council will also deliver several bus routes in its role as the operator of last resort, where there is no affordable private operator interest. The retendered local bus network commenced on 7 August 2025.

40. At its meeting on 16 September 2025, the council's Enabling and Customer Services Committee received a report requesting funding of up to £0.250 million from the council's Corporate Change Fund to support required investment to enable the progression of actions to develop

transport across the region. The report highlights that, due to the lack of capacity of the existing officers within SWestrans and the council's transport team, it will therefore be necessary to seek external resourcing to ensure progression of this work within appropriate timescales. The report states that the initial assessment is that there is a need to procure a specialist individual for a period of up to one year to work alongside the existing team at an estimated cost of up to £0.150 million. In addition, due to the scale of the bus network, there will also be a need to procure short term commissions from a specialist contractor to progress dedicated pieces of work and gather specific detail from across the region's bus network at an estimated cost up to £0.100 million. The report highlights the total estimated cost of £0.250 million will be subject to further review to ensure that value for money is maximised and that only the amount required is spent, as well as ensuring compliance with the council's agreed procurement policies.

Conclusion on Best Value

41. The audit work performed on the arrangements SWestrans has in place for securing Best Value found these were appropriate. SWestrans demonstrates its commitment to Best Value through consideration of the needs of local communities, the sustainability of services, and equality issues, as well as the option of partnership working where available, when deciding on the effective use of resources available to the Transport Partnership. However, faced with the increasing costs of providing services and changes to passenger demographics, needs, and usage, SWestrans may find it increasingly difficult to secure a sustainable bus network provision that meets user needs within available resources. SWestrans is supported in securing Best Value by the council as its parent body.

Appendix 1

Action plan 2024/25

We have not made any new audit recommendations as part of this year's audit.

Follow-up of prior year recommendations

There were no recommendations made in 2023/24.

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

South West of Scotland Transport Partnership

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot