

Quality of public audit in Scotland

Annual report 2025/26



Contents

Key messages	3
Introduction	5
1. Ethics	6
2. Audit delivery	7
3. Quality standards	16
4. Quality results	18
5. Audit quality survey	27
6. Other measures	32
Appendix	35

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

- 1** Our external and internal quality reviews found that all performance audits that were assessed demonstrated high levels of compliance with international auditing standards. This evidences that performance audit methodologies are operating well, and audit staff are consistently delivering high-quality audits. All performance audit outputs were delivered on time in accordance with the scheduled work programme.
- 2** Our external and internal quality reviews found that 86 per cent of financial audits (annual audits) that were assessed were of good quality with high levels of compliance with auditing standards, and audit staff are delivering high-quality audits.
- 3** Auditors are demonstrating that significant issues raised by previous external and internal quality reviews are being fully addressed.
- 4** All auditors confirmed that they have systems in place to comply with International Standard for Quality Management 1 (ISQM1) and that they comply with ethical requirements.
- 5** Auditors have maintained performance in the number of financial audits delivered or expected to be delivered by target dates (55 per cent for 2023/24 and 2024/25 audits) and a further eight per cent of 2024/25 audits have been completed more than a month earlier than the previous year (nine per cent for 2023/24 audits). Although audit delivery by target dates in 2024/25 was not an improvement on 2023/24, this was significantly due to auditors prioritising larger audits (such as local government councils) as part of a deliberate approach to return to target dates over the course of the appointment.
- 6** Audit delivery remains a key area of management focus, particularly improving delivery in the local government sector. For context, delivery has remained stable or improved across most sectors, with the exception of central government:

- Delivery in local government by target date improved to 45 per cent. Of the 68 local government bodies that did not meet the target date, 42 were completed within three months of that date. A total of 79 per cent of local government audits (97 out of 123) were therefore completed by the end of the 2025 calendar year.
 - Of the 43 central government bodies that did not meet target dates, 39 were completed by the statutory deadline for laying the accounts in Parliament of 31 December 2025. This meant that 95 per cent (78 out of 82) of accounts that require to be laid in Parliament met the statutory date.
 - NHS audits have maintained strong delivery performance at 91 per cent.
 - Delivery of further education audits has improved significantly, increasing to 90 per cent meeting target dates.
- 7** Auditors are planning to meet target dates for 74 per cent of 2025/26 financial audits. Audit Scotland has developed an escalation procedure to support the audits most at risk of missing their target delivery dates returning back on course. The number of audits delivered on time should approach expected performance levels by the end of the appointment period in 2026/27, provided that appropriate quality and timely financial reporting and support is provided by public bodies and no significant new obstacles arise.
- 8** Stakeholder perceptions on the quality and usefulness of annual audits and performance audit outputs indicates that auditors are performing their work to a good level.
- 9** Annual audit plans and annual audit reports demonstrated a high level of compliance with the Code of Audit Practice 2021 and related guidance.
-

Introduction

1. The Auditor General for Scotland and Accounts Commission published a revised [Audit Quality Framework](#) (AQF) in 2024. This sets out Audit Scotland's approach to achieving high-quality public audit across all audit work and providers. The Audit Quality and Appointments (AQA) team prepares this report to provide assurance on audit quality, including compliance with the Financial Reporting Council's [Ethical Standard](#), to the Auditor General for Scotland and the Accounts Commission. AQA does not conduct audit work and is independent from auditors.

2. This report is based on the Audit Quality Indicators (AQIs) from the AQF. The AQF set AQIs with targets, which are used as thresholds to prompt further investigation. This report includes the results of each AQI and, where the AQI is not met, AQA's assessment of the circumstances and what AQA and audit providers are doing to secure continuous improvement.

Public audit in Scotland

3. The Auditor General for Scotland and the Accounts Commission set out the principles and themes of public audit in Scotland and how it fits with, and responds to, the public policy environment in Scotland in [Public audit in Scotland 2023–28](#). They also set out the scope for public audit for auditors to follow in the [Code of Audit Practice 2021](#) (the Code).

4. The public audit model in Scotland includes a series of controls to reduce threats to auditor independence. These include the independent appointment of auditors by the Auditor General for Scotland and Accounts Commission, rotation of auditors every five years, independent fee-setting arrangements, independent approval procedures for any non-audit services work and a comprehensive AQF.

Audit Scotland and appointed firms

5. Public audit is conducted by Audit Scotland auditors and appointed firms who are subject to an open and rigorous procurement process. Approximately two-thirds of financial and Best Value annual audit work is carried out by Audit Services Group, with the remaining third conducted by appointed firms. The firms appointed are Azets Audit Services, Deloitte, EY, Forvis Mazars, Grant Thornton and KPMG. Performance audit and additional Best Value work is carried out by Audit Scotland auditors. This report provides an assessment of the quality of all audit providers.

1. Ethics

Compliance with ethical standards

Introduction

6. All auditors must comply with the FRC's Ethical Standard and the Code to avoid any actual or perceived conflicts of interest. Audit Scotland and appointed firms are required to confirm their compliance with the Ethical Standard annually.

7. Audit Scotland monitors the scope and value of any non-audit services (NAS) which could compromise the auditor's independence and scrutinises all applications to carry out NAS.

Findings

Audit quality indicator 1: Percentage of audit providers confirming compliance with ethical requirements

Target: 100 per cent

Actual performance: 100 per cent

8. All auditors confirmed that they complied with ethical requirements.

9. Auditors carried out permitted NAS to the value of £25,000 during the 2024/25 audits. This equates to 0.09 per cent of the total fees. This compares to £23,000 which equated to 0.08 per cent of total fees during 2023/24 audits.

10. AQA only approved work that clearly complied with the Ethical Standard and the Code.

Conclusion

Auditors complied with their ethical requirements, so no conflicts of interest arose when carrying out their audits.

2. Audit delivery

Monitoring of audit outputs against target dates

Introduction

11. Audit Scotland sets target dates for key milestones and audit completion to ensure that audits are completed in a timely manner. Audit Scotland expects auditors to do all they can to meet the targets but also recognises that there may be events beyond auditors' control that result in the targets being missed. Audit Scotland recognises the need to balance delivery recovery while maintaining audit quality, protecting staff wellbeing, and preserving relationships with audited bodies. Achieving timely audit completion is a shared responsibility between auditors and audited bodies, supported by effective collaboration.

12. The target is for key milestones and audit completion to be delivered on time or improving. The pandemic caused audits to be delayed, and auditors are working to get back to target dates, so we consider audits that were completed less than 11 months after the previous year's audit is concluded to be improving.

13. The Auditor General for Scotland and Accounts Commission have a [work programme](#) that covers a range of public sector bodies and services. The Auditor General for Scotland and Accounts Commission review the work programme quarterly to ensure it remains relevant, focused, and up to date and reflects their strategic priorities.

Findings

Audit quality indicator 2: Percentage of audits meeting key planning milestones by the target date, ie annual audit plan is submitted by target date

Target: 100 per cent on time or improving

Actual performance: 84 per cent

14. A total of 178 of 213 (84 per cent) 2025/26 annual audit plans due by 31 March 2026 were submitted by the target date (80 per cent in 2024/25). This failed to meet the target. Annual audit plans for further education are due by 30 June 2026.

15. Of the 35 audits where the annual audit plan was not prepared by the target date:

- 18 were for bodies where the late completion of the 2024/25 audit contributed to the delay
- four were for bodies where the 2024/25 audit was not yet complete
- six were due to an administrative delay
- three were due to prioritisation of other audits
- two were due to audit staff availability
- two were because it is the first year's audit for the body.

Audit quality indicator 3: Percentage of audits completed by the target date

Target: 100 per cent on time or improving

Actual performance: 63 per cent

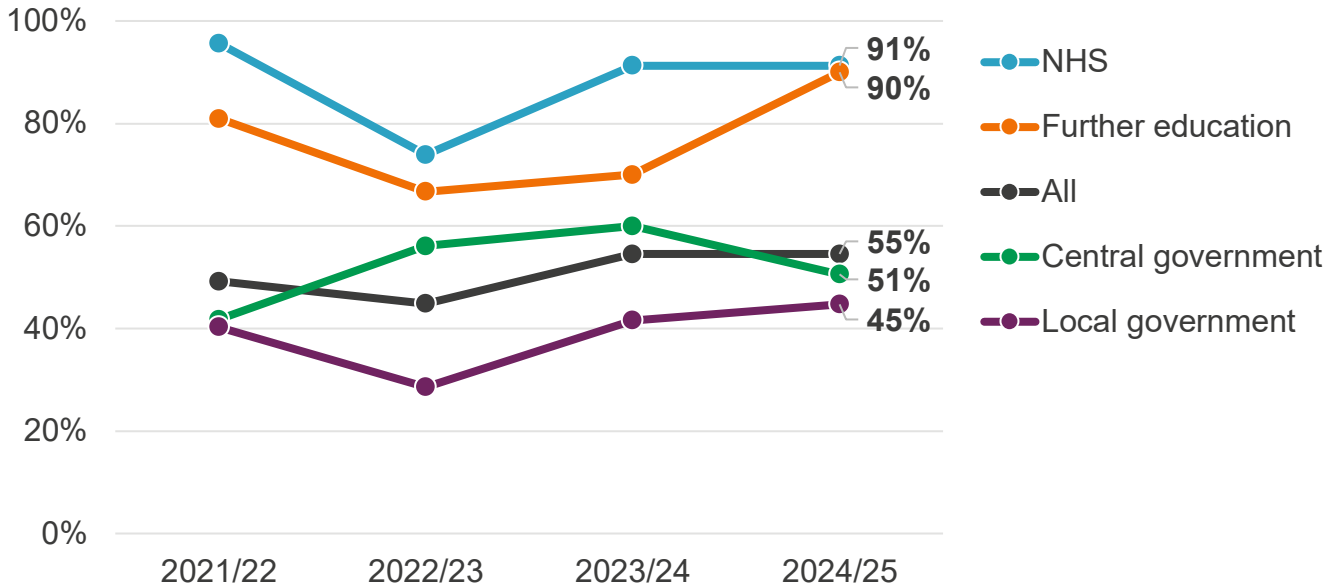
16. Overall, 55 per cent of 2024/25 audits were completed by the target date (55 per cent in 2023/24) ([Exhibit 1](#)). A further eight per cent of audits that were completed after target dates were completed less than 11 months after the previous year's audit (nine per cent 2023/24) ([Exhibits 1 and 2, page 9](#)). This resulted in 63 per cent of 2024/25 audits being on time or improving (64 per cent in 2023/24), below the target.

17. Further analysis shows 64 per cent of Audit Services Group audits were delivered by target dates and 40 per cent of firm audits were delivered by target dates. A further two per cent of Audit Services Group audits and a further 17 per cent of firm audits completed after target dates were finalised less than 11 months after the previous year's audit. [Exhibits 1 to 4 on the following pages](#) provide more analysis on audit delivery based on the performance of all auditors combined.

Exhibit 1

Audit delivery by target dates is increasing or remaining stable in all sectors apart from Central government

Percentage of audits completed by target dates analysed by sector and year.

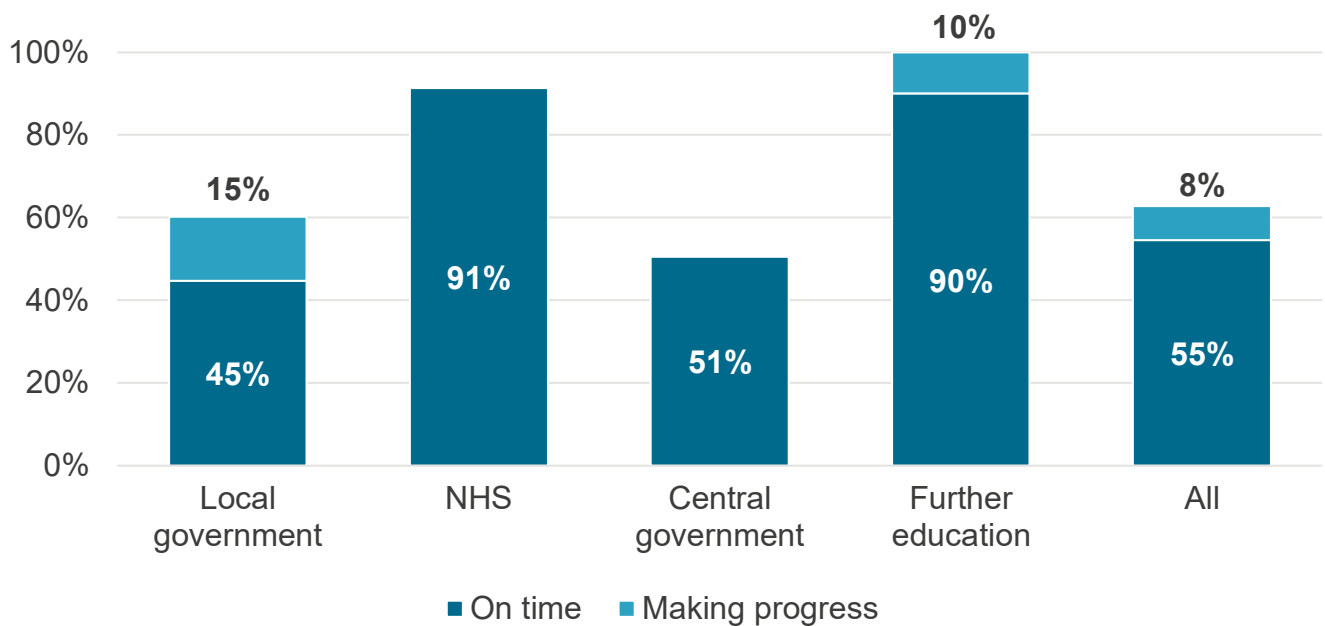


Source: Audited accounts

Exhibit 2

An additional eight per cent of audits are making progress to get back to target dates

Percentage of 2024/25 audits on time and making progress analysed by sector.



Source: Audited accounts

Exhibit 3**2024/25 audits**

Number of 2024/25 audits completed analysed by sector.

Sector	Local government	NHS	Central government	Further education	All
Number of audits	123	23	87	20	253
Audits completed by target date	55	21	44	18	138
Audits late and making progress	19	0	0	2	21
Audits late and not making progress	49	2	43	0	94

Source: Audit Scotland

18. Although delivery has not progressed as much as planned, delivery has remained stable or improved across most sectors. The Central government (CG) sector is the exception, with a decline in the number of audits meeting target dates (51 per cent in 2024/25 compared to 60 per cent in 2023/24).

19. It is important to note that the delivery target dates for CG bodies are 31 August for CG agencies and non-ministerial departments and 31 October for CG NDPBs and similar bodies. These target dates fall before the statutory deadline of 31 December. Of the 82 sets of accounts that require to be laid in Parliament, 95 per cent (78 of 82) were completed by the statutory deadline for laying. Three of these audits were completed in January 2026 and one was completed in March 2026. All four audits were delayed due to finance staff availability at the audited bodies.

20. The main reasons for the 43 CG audits that were late and not making progress were as follows:

- 14 were due to prioritisation of other audits ([paragraph 31](#)). This prioritisation was used as part of a deliberate planned approach to return to target dates over the course of the appointment.
- Seven were due to board dates set after the deadline.
- Seven were due to delays in receiving pension information.
- Five were due to finance staff availability at the audited body.

21. Delivery in local government by target date improved to 45 per cent (42 per cent in 2023/24). A further 15 per cent of local government audits were making progress when compared to delivery in 2023/24 (14 per cent). There has been an increase in the number of council audits meeting target dates in 2024/25 compared to 2023/24, as auditors are prioritising these larger audits.

22. Of the 68 local government bodies that did not meet the target date, 42 were completed within three months of that date. A total of 79 per cent of local government audits (97 out of 123) were therefore completed by the end of the 2025 calendar year. The main reasons for local government audits being completed after this date, or yet to be completed, are late prior year sign offs and delays in receiving information from finance teams. NHS audits have maintained strong delivery performance at 91 per cent (91 per cent in 2023/24). Delivery of further education audits has improved significantly, increasing to 90 per cent meeting target dates (70 per cent in 2023/24).

23. There remains one 2022/23 audit (of a small audited body) that is not complete. The auditor is working with the body to complete the 2022/23, 2023/24 and 2024/25 audits as a single batch during the summer of 2026.

24. There is one further outstanding 2023/24 audit, relating to one council. The delay is due to challenges with the implementation of a new financial ledger. The auditor expects to sign off this audit in summer 2026 and is working with the public body to progress audit delivery for the remainder of their appointment.

25. For 2024/25 audits, 12 audits remain incomplete and are delayed by more than nine months beyond the target date. All of the outstanding audits are local government audits.

Exhibit 4**2024/25 audits**

Number of 2024/25 audits completed late or still outstanding, analysed by sign-off timescales.

Sector	NHS	CG agencies	CG NDPBs	Councils	IJBs	Other LG	FE	All
<1 month	1	1	7		1	3		13
1–2 months	1	7	17	1	3	6	1	36
2–3 months		3	3	5	4	15		30
3–6 months		4	1	4	2	8	1	20
6–9 months				2		2		4
>9 months				5	2	5		12

Source: Audit Scotland

26. Based on auditor plans to deliver their 2025/26 audits and best estimates of future progress, 94 per cent of audits should return to expected dates by 2026/27 provided that no significant new obstacles arise. Auditors and audited bodies must continue to work collaboratively to progress delayed audits.

27. Audits failed to meet target dates or make progress for a variety of reasons. Often there are multiple causes for delays. Where there is a delay, it can lead to circumstances that cause further delays. Of the 94 audits that were late and not making progress, 37 were primarily due to the auditor, 35 were primarily due to the body and 22 were beyond the control of either.

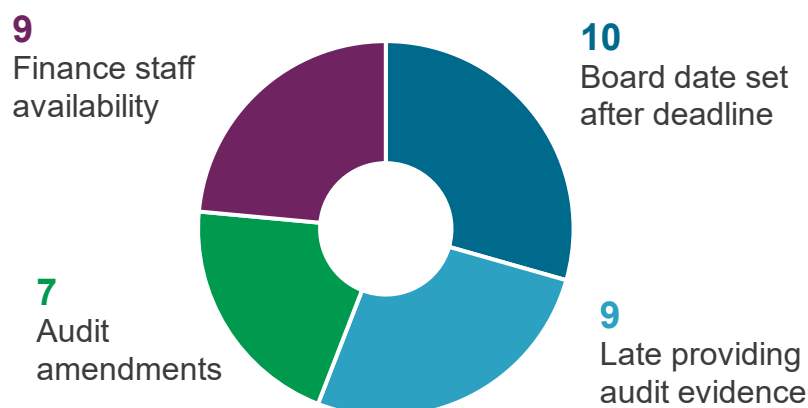
28. Of the 37 (40 per cent) audits delayed primarily because of the auditor, 28 were because auditors prioritised other audits, eight were because of audit staff availability and one was because of an unplanned engagement quality review.

29. Of the 35 (37 per cent) audits delayed primarily because of the body, the primary reasons are shown in [Exhibit 5 \(page 13\)](#).

Exhibit 5

Audit amendments

Primary reasons for delays to audits that failed to meet target dates or make progress caused by audited bodies.



Source: Audit Scotland

30. Of the 22 (23 per cent) audits delayed by reasons beyond the control of both the auditor and the audited body, 12 were because of delays the year before and ten were because auditors were unable to obtain audit information from bodies other than the audited body. For example, a delay in receiving pension information.

31. The largest single cause of delays was from auditors prioritising other larger audits. Audit Services Group and Grant Thornton used this as part of a planned approach to return to target dates over the course of the appointment. This is a reasonable approach to balance the need to recover to target dates with delivering high-quality audit and maintain staff wellbeing.

32. In autumn 2025, AQA developed an escalation procedure to support the delivery of audits for the Auditor General for Scotland and the Accounts Commission. The escalation procedure is designed to enable proportionate and appropriate intervention to support the return of audits to delivery by target dates by the end of this appointment round.

33. These escalation steps have been applied to the audits that are most at risk of missing their target delivery dates. This is reported as part of AQA's audit delivery reporting to the Executive Team.

34. Auditors will continue to work closely with audited bodies to prioritise and reprioritise audit work as required – for example, reallocating resources when there are delays in responses from audited bodies due to unexpected complexities or difficulties with staffing.

Audit quality indicator 4: Percentage of performance audit outputs published as planned per Audit Scotland's work programme

Target: 90 per cent

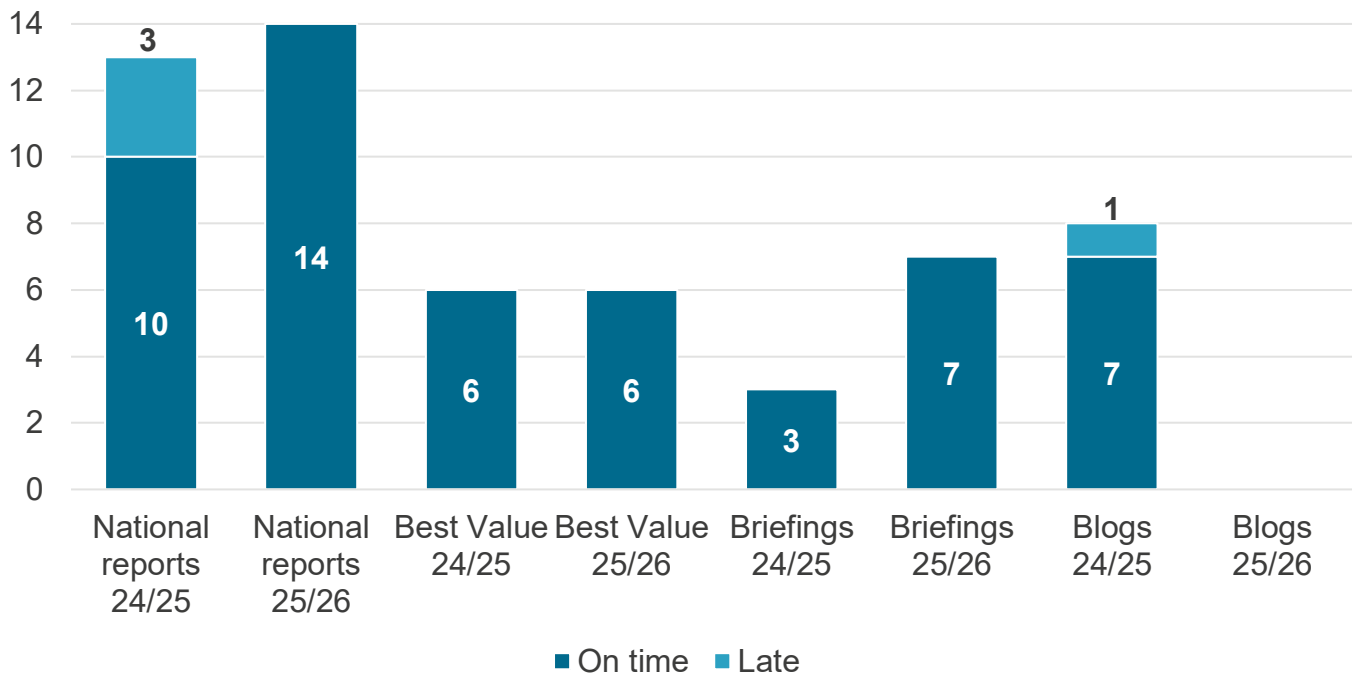
Actual performance: 100 per cent

35. A total of 37 of 37 (100 per cent, 87 per cent 2024/25) performance audit outputs were published as planned during the year 2025/26, meeting the target ([Exhibit 6](#)).

Exhibit 6

2025/26 performance audit outputs

Number of 2025/26 performance audit outputs published on time or late by type.



Source: Audit Scotland

36. The Auditor General and Controller of Audit published ten statutory reports in 2025/26, all within the statutory laying date.

Conclusion

Auditors have maintained performance in the number of financial audits delivered or expected to be delivered by target dates (55 per cent for 2023/24 and 2024/25 audits) and a further eight per cent of 2024/25 audits have been completed more than a month earlier than the previous year (nine per cent for 2023/24 audits). Although audit delivery by target dates in 2024/25 was not an improvement on 2023/24, this was significantly due to auditors prioritising larger audits (such as local government councils) as part of a deliberate approach to return to target dates over the course of the appointment.

Audit delivery remains a key area of management focus, particularly improving delivery in the local government sector. Delivery has remained stable or improved across most sectors, with the exception of central government.

We anticipate that the number of financial audits delivered on time should approach expected performance levels by the end of the appointment round in 2026/27, provided that appropriate quality and timely financial reporting and support is provided by public bodies and no new significant obstacles arise.

Auditors completed their planning for 2025/26 annual audits by the target date or shortly afterwards where this was reasonably possible.

All performance audit outputs were delivered on time.

Audit Scotland actions

AQA will continue to monitor auditors' plans to improve delivery performance and apply the escalation procedure where necessary.

Audit Scotland has developed an escalation procedure to support the audits most at risk of missing their target delivery dates back on course.

AQA will continue to discuss how the most delayed audits can be brought back to expected dates with both bodies and auditors.

3. Quality standards

Compliance with relevant quality standards

Introduction

37. Audit Scotland requires auditors to comply with the International Standard for Quality Management 1 (UK) (ISQM1). This requires auditors to annually evaluate their System of Quality Management (SoQM) and conclude whether the SoQM provides individuals with reasonable assurance that the following objectives are being achieved:

- Auditors and personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements.
- Engagement reports issued by auditors are appropriate in the circumstances.

Findings

Audit quality indicator 5: Percentage of audit providers confirming compliance with ISQM1 system of quality management requirements

Target: 100 per cent

Actual performance: 100 per cent

38. All auditors confirmed that they complied with ISQM1 system of quality management (SoQM) requirements. This includes completing an annual evaluation of the SoQM.

39. Five out of seven auditors (Azets, ASG, Deloitte, Grant Thornton KPMG) concluded that the SoQM provides reasonable assurance that the objectives of the system are being achieved. Two auditors (EY and Forvis Mazars) stated that their annual evaluation of their systems of quality management also provide reasonable assurance, except for specific matters that required to be addressed.

40. EY concluded that their 'SoQM provides reasonable assurance except for two matters related to identified deficiencies, that had a severe but not pervasive effect on the design, implementation and operation of the SoQM'.¹

41. Forvis Mazars concluded that 'except for matters related to deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the SoQM, the SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved. No pervasive deficiencies were identified'.² Forvis Mazars also confirmed that they have addressed the issues identified in the prior year.

42. AQA have received assurances from Forvis Mazars and EY that these matters did not impact any of their Scottish public sector audits, and that they are implementing remediation plans to address the identified issues. AQA are satisfied with these responses.

43. Audit Services Group confirmed that they complied with ISQM1 SoQM arrangements. This conclusion is supported by ICAEW who conduct a review of Audit Scotland's SoQM as part of their annual quality review. ICAEW concluded that Audit Scotland has a clear and structured approach to monitoring audit quality and evaluating its SoQM. In their summary report ICAEW stated: 'We did not identify any matters for attention from work on aspects of SoQM at either Audit Scotland or the appointed firms'. This demonstrates a clear commitment to improving audit quality and aligns with the expectations of ISQM1.

Conclusion

All auditors have systems in place to comply with ISQM1 and have appropriate plans for improvements to their audit methodologies where required.

¹ Further details are available on page 20 of the [EY Transparency report 2025](#).

² Further details are available on page 113 of the [Forvis Mazars Transparency report 2025](#).

4. Quality results

External and internal quality reviews

Introduction

44. Audit quality reviews provide evidence on whether audit work complies with the Code and International Standards on Auditing (ISAs). They also highlight areas to improve audits in the future.


45. Audit Scotland commissions the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out external reviews. Senior and appropriately experienced staff from each firm carry out internal reviews.

46. Reviews use the Financial Reporting Council's scoring methodology for consistency and comparability ([Exhibit 7](#)).

Exhibit 7

External quality review grading

Description of each grade used in audit quality reviews.

Grade	Standard	Description
1	 Good	We identified no areas for improvement of sufficient significance to include in our report.
2	 Limited improvements required	We identified one or more areas for improvement of limited significance.
3	 Improvements required	We identified one or more key findings requiring more substantive improvements.
4	 Significant improvements required	We identified significant concerns in one or more areas regarding the sufficiency or quality of audit evidence, the appropriateness of key audit judgments or another substantive matter such as auditor independence.

Source: Financial Reporting Council

Findings

Audit quality indicator 6: Percentage of external quality reviews requiring no more than limited improvements

Target: 80 per cent annual

Actual performance for financial audits: 75 per cent

Actual performance for performance audits: 100 per cent

47. ICAEW carries out a programme to review each firm over a three-year cycle, each Audit Scotland audit director over a three-year cycle for both financial audit and performance audit work, and each Audit Scotland senior manager with engagement lead responsibilities over a six-year cycle. This is to ensure a proportional approach is taken that is reflective of the size of each auditor's portfolio.

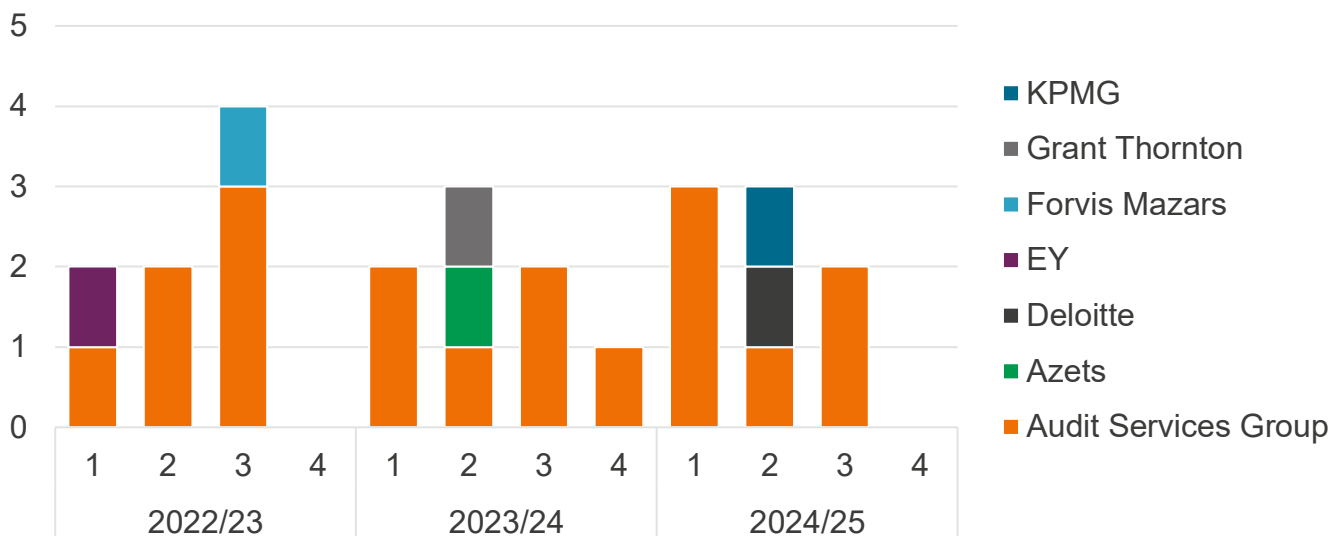
Financial audits

48. ICAEW found that six of eight (75 per cent) external reviews required no more than limited improvements ([Exhibit 8](#)). This is just below the target of 80 per cent but has significantly improved since last year (62.5 per cent) and are the best results in the current five-year audit period which began in 2022/23.

Exhibit 8

Financial audit external quality reviews

Number of reviews at each grade, by auditor and year.



Source: Audit Scotland

49. Audit Scotland achieved three audits of ‘Good’ grade and one audit with a ‘Limited improvements required’ grade. The work to support the wider scope responsibilities including Best Value was of a good standard.

50. The quality reviews identified several areas of good practice including good consideration of group accounts, a detailed understanding of the services provided by the audited body and an adaptable approach to the testing of non-pay expenditure.

51. ICAEW concluded that two Audit Scotland audits were ‘Improvements required’ grade. These grades were due to issues that are specific to these audits: gaining sufficient evidence to support the valuation of a complex financial model, and the testing approach used to gain assurance over activity-based expenditure. Apart from these issues, the audits were of good quality. ICAEW did not find any thematic findings from their reviews.

52. ICAEW’s selection included an audit that had been previously reviewed by I&Q in 2023/24. I&Q had assessed the 2023/24 audit as a ‘Limited improvements required’ grade. ICAEW assessed this audit to be of ‘Good’ grade and confirmed that the issues noted by I&Q in their 2023/24 review had been fully addressed. This provides evidence that Audit Scotland’s quality monitoring arrangements are working effectively.

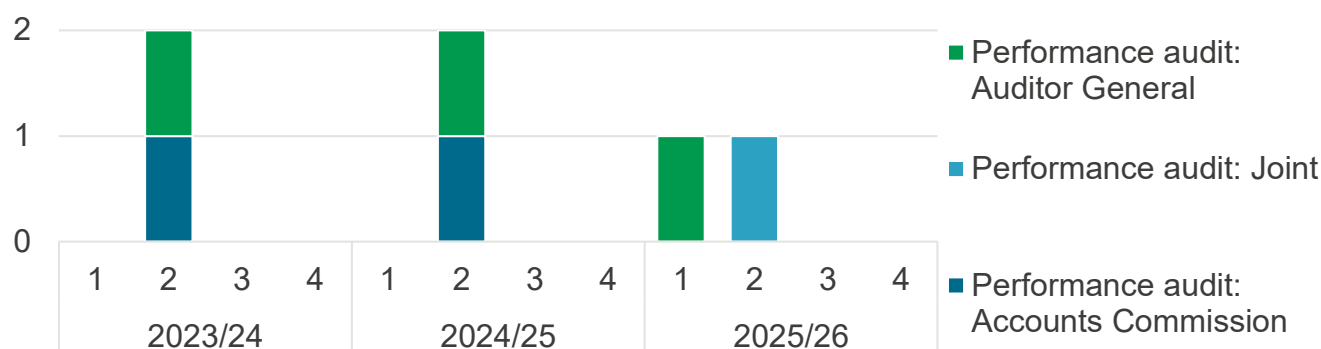
53. As part of their work we requested ICAEW to review two audits that received a ‘Significant improvements required’ grade in 2023/24. ICAEW reviewed the equivalent two 2024/25 audits and found that the matters requiring significant improvement had been addressed (see paragraphs 64 and 68). This demonstrates audit teams are taking effective and timely action to make quality improvements where required.

Performance audits

54. Both performance audit output reviews required no more than limited improvements ([Exhibit 9, page 21](#)) meeting the target. The results for performance audit have been at a consistently high standard for the last four years.

Exhibit 9**Performance audit external quality reviews**

Number of reviews at each grade, by output type and year.



Source: Audit Scotland

Audit Quality indicator 7: Percentage of internal quality reviews requiring no more than limited improvements

Target: 80 per cent annual

Actual performance for financial audits: 93 per cent

Actual performance for performance audits: 100 per cent

55. Auditors conduct reviews of their own portfolio of audits to assure themselves of compliance with internal quality management standards and support continuous improvement. Audit Scotland's contract with the firms requires them to conduct at least one review of a Scottish public sector audit each year.

56. The timing of when internal reviews are conducted for each auditor varies throughout the year. This means that the 2024/25 results for Forvis Mazars are not yet available for this report and will therefore be included in next year's report.

57. Furthermore, [Exhibit 10 \(page 22\)](#) has been updated to show all completed internal reviews for 2023/24. All of these additional reviews met the required target of requiring no more than limited improvements, with the exception of one Deloitte internal review which received a 'Significant improvements required' grade (see [paragraph 67](#) for more detail).

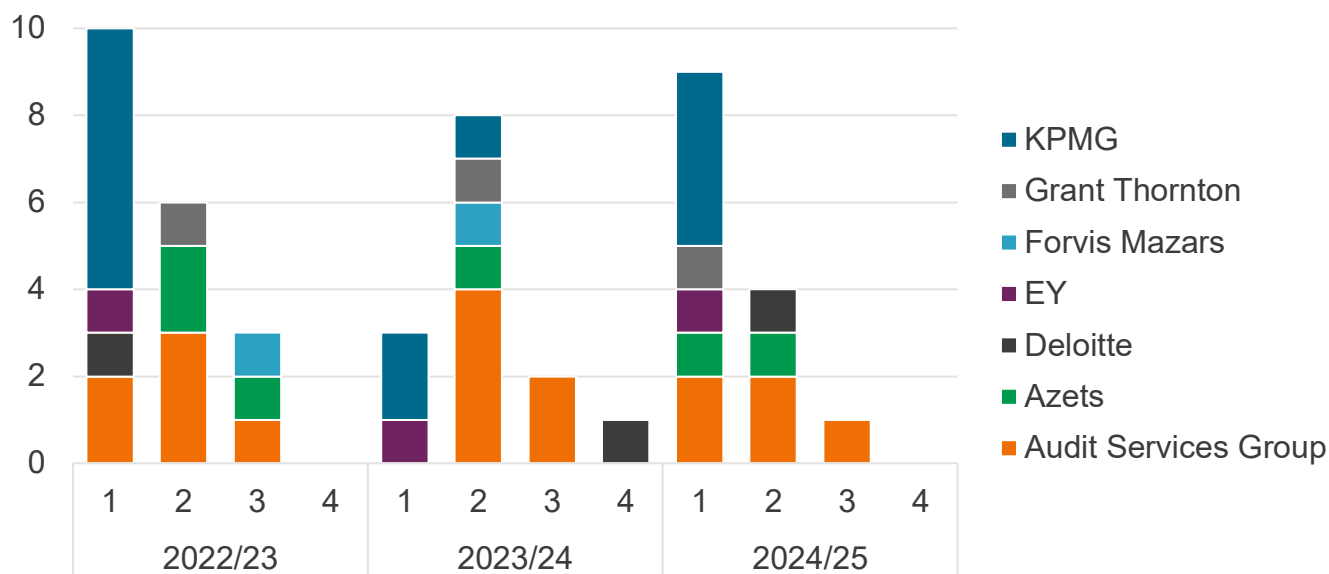
Financial audits

58. Auditors found that 13 of 14 internal reviews (93 per cent) required no more than limited improvements, meeting the target.

Exhibit 10

Financial audit internal quality reviews

Number of reviews at each grade, by auditor and year.



Source: Audit Scotland

59. The reviews identified several areas of good practice including:

- the planning files completed were a good standard, with clear documentation of the audit approach and risk assessment
- clear oversight by engagement leads
- scrutiny of key judgements was evident in audit files including a thorough review of indexation applied to non-current assets which identified several errors
- audit work was well documented on audit files to support conclusions in the Annual Audit Report.

60. One internal review for Audit Services Group was an 'Improvements required' grade. Areas for improvement include:

- strengthening the documentation of the risk assessment and substantive testing of a material valuation model
- improving the risk assessment of the audited body's IT applications used to prepare the financial statements

- enhancing the review of the methodology and assumptions applied by a management expert used by the audited body to value non-current assets.

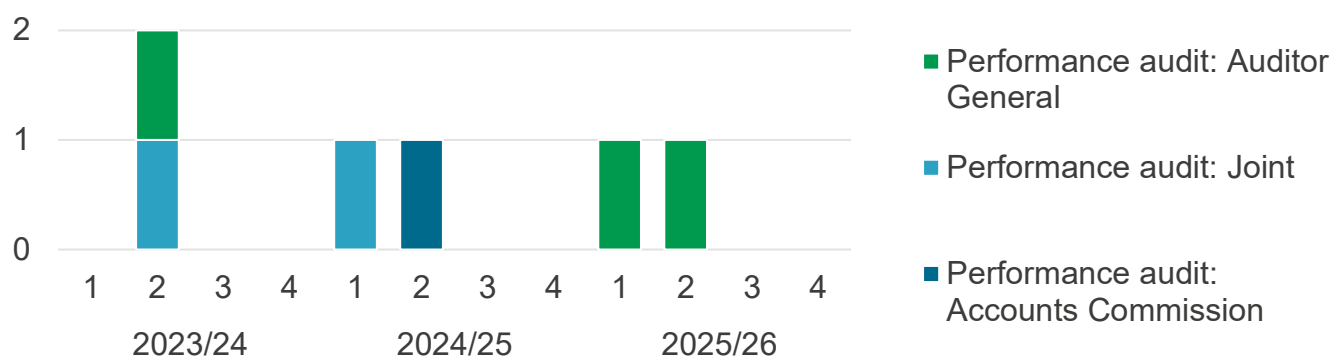
Performance audit outputs

61. Both performance audit output reviews required no more than limited improvements ([Exhibit 11](#)), meeting the target.

Exhibit 11

Performance audit internal quality reviews

Number of reviews at each grade, by output type and year.



Source: Audit Scotland

62. The reviews identified several areas of good practice including:

- strong evidence of the team scoping the audit effectively
- the audit team developed a records management note which meant that most files could be easily located
- individual team members' skills and expertise strengthened the team and improved the efficiency of the audit work.

Audit quality indicator 8: Percentage of external quality reviews requiring significant improvements

Target: 0 per cent annual

Actual performance (for both financial and performance audits): 0 per cent

Financial audits

63. External quality reviews did not identify any financial audit outputs as requiring significant improvements, meeting the target (12.5 per cent in 2023/24).

64. ICAEW conducted a focused review of one 2023/24 audit completed by ASG that required significant improvements and found that the matters requiring significant improvement had been addressed.

Performance audit outputs

65. External quality reviews did not identify any performance audit outputs as requiring significant improvements, meeting the target.

Audit quality indicator 9: Percentage of internal quality reviews requiring significant improvements

Target: 0 per cent annual

**Actual performance (for both financial and performance audits):
0 per cent**

Financial audits

66. Internal quality reviews did not identify any financial audit outputs as requiring significant improvement, meeting the target.

67. This was shown as 0 per cent in the 2024/25 Quality of public audit in Scotland annual report, based upon the information that was available at the time. After the report was published, Deloitte reported that one of their 2023/24 Scottish public sector audits had been reviewed by their internal quality team and had received a 'Significant improvements required' grade ([Exhibit 10, page 22](#)).

68. The review identified several areas which did not meet the expected auditing standards. The main findings related to overuse of substantive analytical review, insufficient evidence on property plant and equipment work, and other documentation failures. The review did not find any errors in the 2023/24 audited accounts.

69. Deloitte addressed the issues found by the internal quality review. ICAEW reviewed the 2024/25 audit to ensure that the issues had been fully addressed. ICAEW's review found that the matters requiring significant improvement had been addressed.

Performance audit outputs

70. Internal quality reviews did not identify any performance audit outputs as requiring significant improvements, meeting the target.

ICAEW Audit Scotland summary

71. ICAEW provided the following comments on the audits they reviewed:

We undertook eight file reviews of financial audits, six covering Audit Scotland and two from appointed firms. In addition, we conducted a focused review to follow up on issues that required significant improvement at our previous visit in a file we reviewed at Audit Scotland. We also inspected two performance audits, both conducted by Audit Scotland.

The quality of audit work, across financial and performance audits, was of a generally good standard in many areas. On the financial audit files reviewed, six of the eight files were either good or generally acceptable. We did not identify any significant thematic areas. In the files requiring improvement, both related to audits conducted by Audit Scotland, we identified weaknesses in testing financial assets, and risk assessing, including the development of an audit response to expenditure with differing recognition criteria. The performance audits were both generally of a good standard.

As part of the financial audit, we also reviewed audit work to support the wider scope responsibilities. We did not identify any findings in these reviews.

The responses of both Audit Scotland and the appointed firms demonstrate they are intending to take appropriate action to address all the findings raised. This includes plans to conduct detailed root cause analysis on files that require improvement.

We identified good practice across all files reviewed and mainly related to aspects of comprehensive and clearly documented audit work and audit approaches.

We did not identify any matters for attention from work on aspects of SoQM at either Audit Scotland or the appointed firms.

Conclusion

Our external and internal quality reviews found that all performance audits demonstrated high levels of compliance with international auditing standards. This evidences that performance audit methodologies are operating well, and audit staff are delivering high-quality audit work.

Our external and internal quality reviews found that 86 per cent of financial annual audits were of good quality with high levels of compliance with auditing standards, and audit staff are delivering high-quality audits.

ICAEW's follow ups of audits previously assessed as requiring more than limited improvements provide assurance that auditors are taking sufficient and appropriate action in response to review findings.

Audit Scotland actions

Audit Scotland's Innovation and Quality team will support the audits with improvements required through facilitating root cause analysis, undertaking hot reviews and supporting engagement quality reviews.

5. Audit quality survey

Stakeholder perceptions

Introduction

72. AQA commissions Progressive to conduct an annual independent stakeholder feedback survey. The survey is sent to all directors of finance, chief executives, and chairs of boards or audit committees (or their respective equivalents) whose 2024/25 audits were completed by the close of the survey. The survey invites the recipients to give their perspectives about the 2024/25 audit.

73. Progressive invited 547 individuals (539 in 2023/24) in audited bodies to provide feedback on the 2024/25 financial audits and performance audit outputs published in the past year. A total of 170 individuals (278 in 2023/24) completed responses (31 per cent, 51.6 per cent 2023/24). Although, the response rate has decreased in 2024/25, the response rate is similar to other stakeholder feedback surveys of this type. The response rate is sufficiently large to show that stakeholders are willing to engage with us on their views of public audit and making further improvements to audit quality.

74. The survey asked stakeholders to consider financial audit work under the following criteria:

- Perception of the usefulness of the annual audit overall.
- Perception of the appropriateness of coverage of wider scope.
- Perception of the appropriateness of coverage of Best Value (local government only).

75. The survey asked stakeholders to consider performance audit outputs against principles based on the International Organisation of Supreme Audit Institutions ([INTOSAI](#)) standards. These were whether a report is:

- high quality, which means that the report is comprehensive, convincing, timely, reader-friendly and balanced
- useful, which means that recommendations are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.

76. The survey asked stakeholders to respond to questions using a scale of 1 to 5 where 1 is 'very poor' and 5 is 'very good'. We analyse responses by using the mean score. This is the average of respondents' views on a question within a particular category, either by sector or auditor.

Findings

Audit quality indicator 10: Perception of the usefulness of the annual audit

Target: 4 out of 5

Actual performance:

Perception of the usefulness of the annual audit overall:
4.2 out of 5

Perception of the appropriateness of coverage of wider scope:
4.2 out of 5

Perception of the appropriateness of coverage of Best Value:
3.7 out of 5

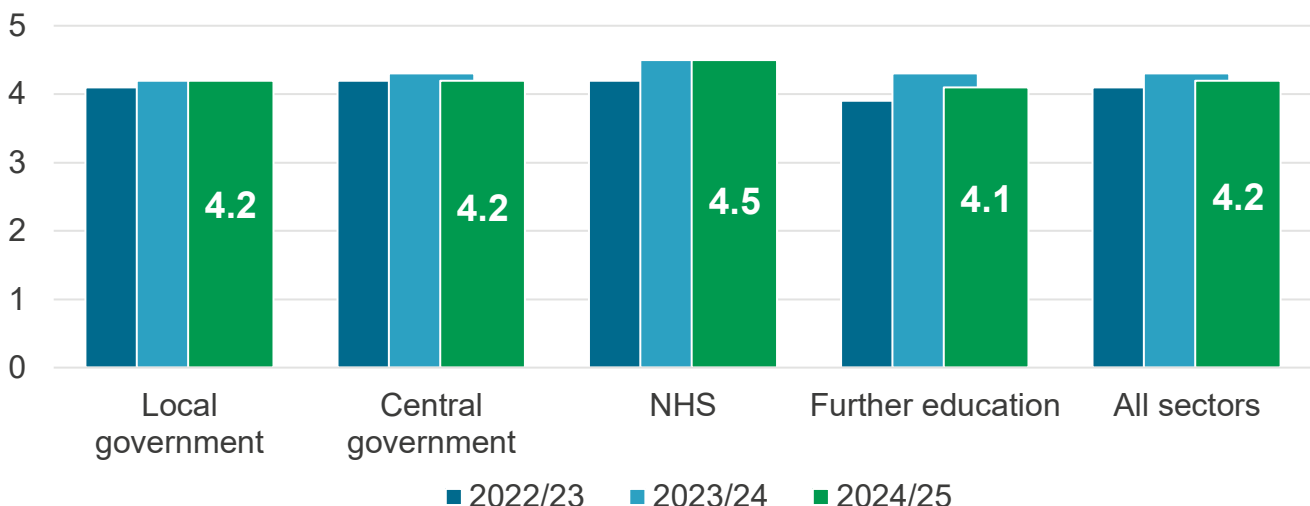
Perception of the usefulness of the annual audit overall

77. Stakeholders' views on the usefulness of the annual audit have slightly decreased with 83 per cent of stakeholders believing their annual audit is fairly or very useful (85 per cent in 2023/24) with a mean score of 4.2 (4.3 in 2023/24). This still exceeds the target in all sectors ([Exhibit 12](#)).

Exhibit 12

Stakeholder perceptions on financial audits exceeds the target in all sectors

Mean score for the usefulness of the annual audit.



Source: Progressive

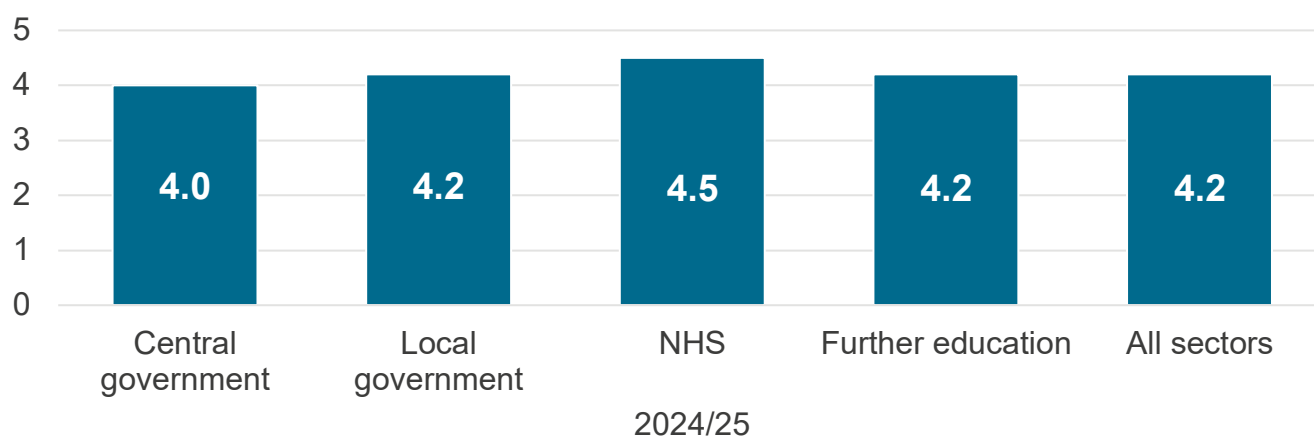
Perception of the appropriateness of coverage of wider scope

78. Stakeholders' views on how well auditors covered wider scope in their annual audit report met the target in all sectors ([Exhibit 13](#)), with a mean score of 4.2 (new indicator in 2024/25); 82 per cent of stakeholders reported that the audit report covered the wider scope of the audit fairly or very well.

Exhibit 13

Stakeholders' views on wider scope coverage met the target in all sectors

Mean score for the appropriateness of coverage of wider scope in the annual audit report.



Source: Progressive

Perception of the appropriateness of coverage of Best Value

79. Stakeholders' views on how well auditors covered Best Value in their annual audit report decreased at 3.7 (3.9 in 2023/24) and did not meet the target. The scores are based on very small sample sizes which can result in larger fluctuations. AQA's review of 2024/25 annual audit plans and annual audit reports found that generally, auditors were complying with the requirements of the current Code of Audit Practice. Best Value audit is an area currently under review in the proposed revised Code of Audit Practice.

Audit quality indicator 11: Stakeholder perception on the quality of performance audit outputs

Target: 4 out of 5

Actual performance:

Overview reports: 4.1 out of 5

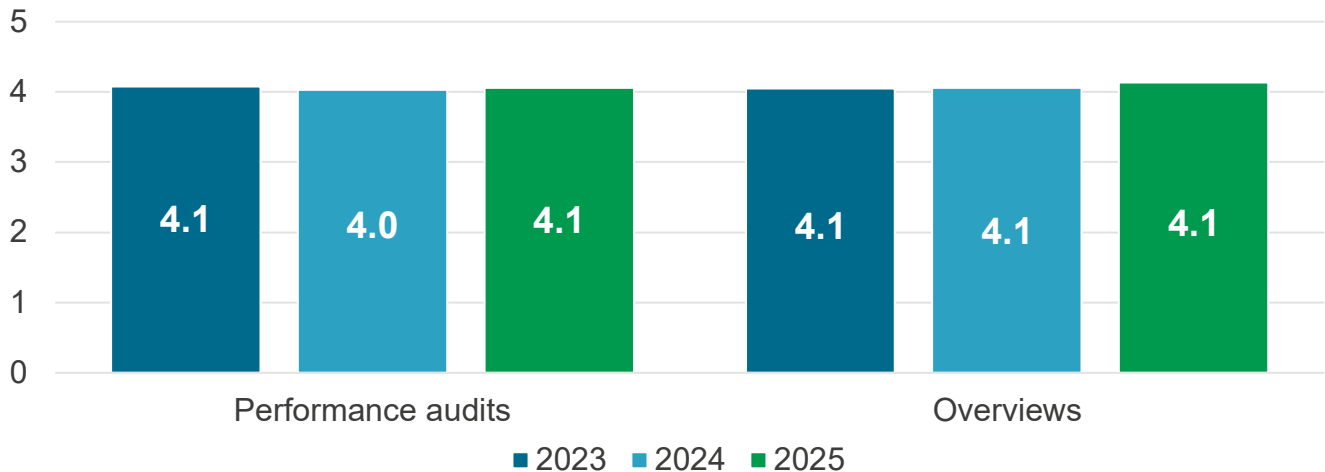
Performance audits: 4.1 out of 5

80. Stakeholder perception on the quality of performance audit outputs has overall, slightly improved. The mean score is 4.1 (4.0 in 2023/24) for performance audits and 4.1 for overview reports (4.1 in 2023/24), ([Exhibit 14](#)), meeting the target for both types of report.

Exhibit 14

Stakeholder perception of the quality of performance audit outputs has slightly improved

Mean score of perception of the quality of performance audits and overview reports.



Source: Progressive

Audit quality indicator 12: Stakeholder perception on the usefulness of performance audit outputs

Target: 4 out of 5

Actual performance:

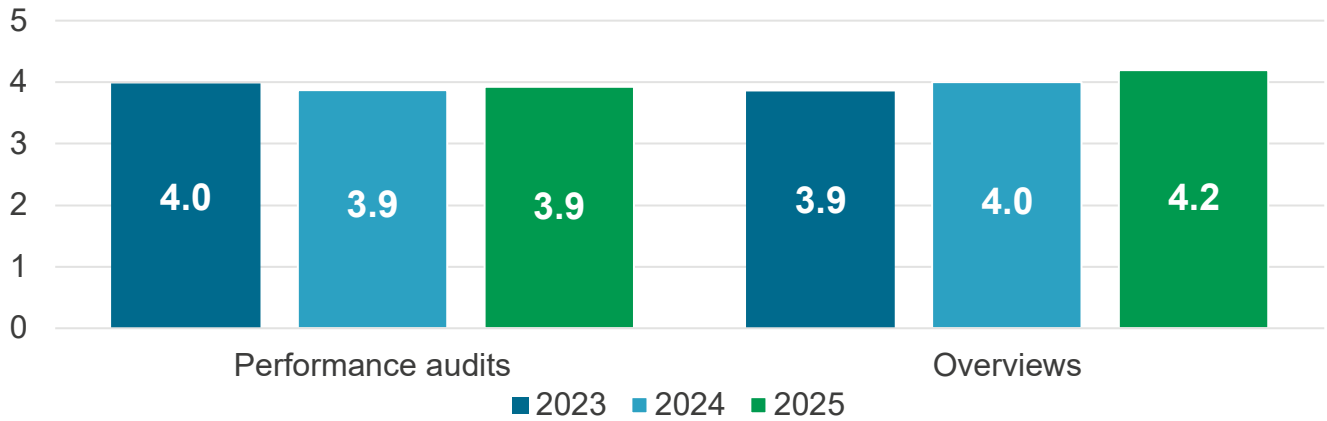
Overview reports: 4.2 out of 5

Performance audits: 3.9 out of 5

81. Stakeholder perception on the usefulness of performance audit outputs has also overall, slightly improved. The mean score is 3.9 (3.9 in 2023/24) for performance audits and 4.2 for overview reports (4.0 in 2023/24), ([Exhibit 15, page 31](#)), just below the target for performance audits and meeting the target for overviews.

Exhibit 15**Stakeholder perception of the usefulness of performance audit outputs has slightly improved**

Mean score of perception of the usefulness of performance audits and overview reports.



Source: Progressive

Conclusion

Stakeholder perceptions on the quality of audit work indicates that auditors are performing their work to a good level. There is no systemic cause for concern in the small number of indicators below target.

Audit Scotland actions

AQA has discussed the results with each auditor to understand the circumstances where feedback has been negative.

6. Other measures

Other measures of audit quality

Introduction

82. AQA reviewed a sample of audit outputs to assess their quality and to monitor timelines, scope, compliance with the Code requirements, compliance with Guidance on planning the annual audit, compliance with ISAs (UK) and clarity of recommendations.

83. High-quality audit outputs provide assurance to stakeholders and add value by recommending improvements, identifying risks, increasing insight, and facilitating foresight.

Findings

Annual audit plans (AAPs)

84. All AAPs reviewed showed a good level of compliance with the 2021 Code and 2024/25 Guidance on planning the annual audit. Areas of good practice by auditors included:

- clear explanation of auditors' responsibilities in relation to Best Value for both central government and local government bodies
- clear explanations of significant risks identified and planned responses to address these risks
- statements noting that wider scope risks are subject to review throughout the audit
- statements that qualitatively material items may be reported even if below clearly trivial threshold
- an explanation of the respective roles of the Auditor, Accounts Commission, Controller of Audit and Audit Scotland.

85. Our review found significant improvements in how auditors of local government pension funds described their planned audit work on Best Value, and in the way auditors of non-local government bodies explain their work to meet their Best Value responsibilities compared to prior year.

Annual audit reports (AARs)

86. Most AARs (90 per cent) reviewed demonstrated a high level of compliance with the Code and related guidance. Examples of good practice included:

- clear explanations on the significant judgements made in determining materiality
- use of audit quality indicators to set out the timing and quality of working papers providing a helpful summary for the audited body
- clear narrative that explains what the auditor found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit
- clear recommendations that are useful, specific and practicable
- clear statements on causes of delays to audits with clear details on the reasons for additional fees
- detailed follow-up of prior year recommendations.

87. The most common areas for improvement were:

- Auditors should ensure that all AARs are addressed to the audited body and (depending on the sector) to either the Auditor General or Controller of Audit.
- Auditors should ensure that all AARs provide an explanation of the significant judgements in determining materiality amounts.
- Auditors should ensure that all AARs contain a reference to the level of performance materiality that has been set and how this was applied by the auditor in their audit of the accounts.
- Auditors should ensure that all AARs contain a clear conclusion on the effectiveness of arrangements by the accountable officer to secure Best Value.
- Auditors should ensure that all recommendations have an agreed target date and responsible officer for implementing recommendations.

Best Value thematic reports

88. All Best Value thematic reports that were reviewed were of a good quality, clearly written and complied with the Guidance on planning the audit and the Code of audit practice.

Conclusion

Auditors' AAPs, AARs and Best Value thematic reports demonstrated a high level of compliance with reporting requirements under the Code and related guidance.





Audit Scotland actions

AQA has discussed findings with auditors and confirmed the changes auditors plan to make in response to the findings.








AQA will continue to monitor outputs to ensure they are of high quality and compliant with the Code and related guidance.








Appendix

Audit Quality Indicators 2025/26

AQI	Service area	Target	Actual	Result
1	Independence Percentage of audit providers confirming compliance with ethical requirements. Ethics, page 6	100%	100% (100% for 2023/24)	 Target met
2	Performance monitoring and remediation Percentage of audits meeting key planning milestones by the target date, ie annual audit plan is submitted by target date. Audit delivery, page 7	100% on time or improving ³	84% (80% for 2024/25)	 Target not met
3	Performance monitoring and remediation Percentage of audits completed by the target date. Audit delivery, page 8	100% on time or improving	63% (64% for 2023/24)	 Target not met
4	Performance monitoring and remediation Percentage of performance audit outputs published as planned per Audit Scotland's work programme. Audit delivery, page 14	90%	100% (87% for 2024/25)	 Target met



³ Improving means within 11 months from date output was last signed. This is considered an appropriate timescale for effective audit reporting to stakeholders.

AQI	Service area	Target	Actual	Result
5	Quality monitoring			
	Percentage of audit providers confirming compliance with ISQM1 system of quality management requirements. Quality standards, page 16	100%	100% (100% for 2023/24)	Target met
6	Quality monitoring			
	Percentage of financial audit external quality reviews requiring no more than limited improvements. (Grade 1 & 2)	80% annual	75% (62.5% for 2023/24)	Target not met
	Percentage of performance audit external quality reviews requiring no more than limited improvements. (Grade 1 & 2) Quality results, page 19		100% (100% for 2023/24)	 Target met
7	Quality monitoring			
	Percentage of financial audit internal quality reviews requiring no more than limited improvements. (Grade 1 & 2)	80% annual	93% (85% for 2023/24)	Target met
	Percentage of performance audit internal quality reviews requiring no more than limited improvements. (Grade 1 & 2) Quality results, page 21		100% (100% for 2023/24)	 Target met
8	Quality monitoring			
	Percentage of financial audit external quality reviews requiring significant improvements. (Grade 4)	0% annual	0% (12.5% for 2023/24)	Target met
	Percentage of performance audit external quality reviews requiring significant improvements. (Grade 4) Quality results, page 23		0% (0% for 2023/24)	 Target met

AQI	Service area	Target	Actual	Result
9	Quality monitoring			
	Percentage of financial audit internal quality reviews requiring significant improvements. (Grade 4)	0% annual	0% (7% for 2023/24 ⁴)	 Target met
	Percentage of performance audit internal quality reviews requiring significant improvements. (Grade 4)		0% (0% for 2023/24)	 Target met
	Quality results, page 24			
10	Stakeholder perception			
	a) Perception of the usefulness of the annual audit overall	4/5 ⁵	a) 4.2/5 (4.3/5 2023/24)	 Target met
	b) Perception of the appropriateness of coverage of wider scope		b) 4.2/5 (New indicator)	 Target met
	c) Perception of the appropriateness of coverage of Best Value (LG only)		c) 3.7/5 (3.9/5 2023/24)	 Target not met
	Audit quality survey, page 28			
11	Stakeholder perception			
	Perception of the quality of:	4/5	a) 4.1/5 (4.1/5 2023/24)	 Target met
	a) Overview reports			
	b) Performance audits		b) 4.1/5 (4.0/5 2023/24)	 Target met
	Audit quality survey, page 29			

⁴ This was shown as 0% in the 2024/25 Quality of public audit in Scotland annual report, based upon the information that was available at the time. However, after the report was published Audit Scotland was informed by Deloitte that one of their audits had been reviewed by their internal quality team and had received a 'Significant improvements required' grade. This is also shown at [Exhibit 10](#).

⁵ Target applies to a, b, and c (where applicable).

AQI	Service area	Target	Actual	Result
12	Stakeholder perception			
	Perception of the usefulness of:	4/5		
	a) Overview reports		a) 4.2/5 (4.0/5 2023/24)	 Target met
	b) Performance audits		b) 3.9/5 (3.9/5 2023/24)	 Target not met
	Audit quality survey, page 30			

Quality of public audit in Scotland

Annual report 2025/26



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500

www.audit.scot

ISBN 978 1 918486 13 1