

Scottish Parliamentary Corporate Body

Thursday 24 September 2026 (Session 7)

Advisory Audit Board Annual Report to the SPCB

Executive summary

1. This paper summarises the work of the Advisory Audit Board (AAB) in 2025/26, the sources of assurance received by the AAB to fulfil its role and the AAB's overall conclusion based on its work.

Issues and options

Chair's Commentary

2. This is my first Annual Report as Chair of the Scottish Parliamentary Corporate Body (SPCB) Advisory Audit Board (AAB). It summarises the work of the AAB during 2025/26 and provides the Board's overall assurance opinion to the SPCB and the Accountable Officer.
3. Across the year, the AAB reviewed the robustness of governance, financial management, risk arrangements, internal controls, and audit activity. Based on the evidence received, the AAB concludes that **effective and proportionate governance, risk management and internal control arrangements were in place throughout 2025/26**, and that these arrangements meet the assurance needs of the SPCB and the Accountable Officer.
4. Since taking on the role of Chair in October 2025, I have been impressed by the maturity of SPCB's governance culture and the high level of engagement from senior management. The quality, timeliness and transparency of information provided to the AAB have enabled robust scrutiny and constructive challenge.
5. The AAB also observed a constructive, transparent and open culture across SPCB senior management, which continues to support effective governance and assurance.

Role and Purpose of the AAB

6. The AAB provides independent, expert advice to the SPCB and the Accountable Officer on the effectiveness of governance, finance, audit, and risk management arrangements across the Parliamentary Service.
7. During 2025/26, the Board met four times and fulfilled its responsibilities by:
 - Reviewing the SPCB's Annual Report and Accounts and recommending them for signing
 - Considering Audit Scotland's external audit findings
 - Reviewing strategic and operational risk management
 - Overseeing internal audit plans, performance, and independence
 - Providing assurance on internal controls and financial stewardship
 - Offering advisory audit support to six SPCB-funded officeholders

Membership and Governance

8. On 31 March 2026, the AAB comprised of two SPCB Members, Claire Baker MSP and Jackson Carlaw MSP, and three independent members, Joe Al-Gharabally, Siobhan White and Steve Renwick. Joe Al-Gharabally was appointed to the AAB as Chair on 1 October 2025 replacing David Watt who demitted office on 30 September 2025 following the end of his tenure.
9. Independent members of the AAB are appointed by the Clerk/Chief Executive following open competition based on their expertise and experience in matters of governance, audit, finance and risk. The AAB last self-assessed its overall effectiveness in June 2023 using toolkits prepared by The Scottish Government and HM Treasury. The exercise concluded that the AAB's working arrangements conform to the standards recommended for audit committees in the public sector. A further review has been scheduled for 2027.
10. The AAB's work is based on its established terms of reference (see attached) and includes scope for the AAB to offer advice to the Clerk/Chief Executive and the Senior Executive Team (SET) on any other matters which may arise out with the course of its regular meetings and business. In 2025/26, as with previous years, the AAB also provided independent advisory audit services to six of the officeholders directly funded by the SPCB.
11. The AAB's Terms of Reference in 2025/26 are attached for information at **Annex A**. Following the Joe Al-Gharabally's appointment as Chair in October 2025, and the appointment of one SPCB Member in June 2026, the AAB's Terms of Reference were reviewed and refreshed in September 2026. The SPCB is invited to note the AAB's new Terms of Reference which have been approved by the Clerk/Chief Executive and will be formally adopted going forward.
12. The AAB's findings and conclusions based on its work in 2025/26 are set out below.

Annual Report and Accounts and External Audit 2025/26

13. The AAB formally considered the SPCB's 2025/26 Annual Report and Accounts, Audit Scotland's Annual Audit Report and the assurance statements provided to the Clerk/Chief Executive as Accountable Officer on 16 September 2026. Given the timing of the AAB and SPCB meetings, AAB Members were provided with an initial draft of the 2025/26 Annual Report and Accounts in June 2026 for early comment with a final draft being available in September 2026.
14. Audit Scotland confirmed that the accounts were **free from material misstatement** and issued **unqualified audit opinions**. One key audit matter was raised relating to the pension asset position, with no issues identified in the associated accounting entries.
15. Audit Scotland also concluded that:
 - Financial management arrangements are sound
 - The SPCB operated within its £152.236m budget, reporting a resource underspend of £3.416m and a capital overspend of £0.918m

REFERENCE: SPCB (2026) - Paper 65

- Financial sustainability arrangements are effective. There are plans in place to support the delivery of services in the medium term and development of the Session 7 Strategic Plan is currently underway.
 - Vision, leadership and governance arrangements operate effectively
16. Audit Scotland recommended that the AAB establish and maintain a register of interests for its members. This has now been actioned.
17. In view of the conclusions of Audit Scotland's 2025/26 Annual Audit Report, the unqualified audit report and the assurance statements provided to the Clerk/Chief Executive, the AAB endorsed the 2025/26 Annual Report and Accounts and recommends that these be presented to the SPCB on 21 September 2026 for formal consideration and approval. Subject to the SPCB's approval, the AAB further recommends that the Accountable Office sign the 2025/26 Annual Report and Accounts and governance statement therein.

Internal Audit 2025/26

18. The overall objective of internal audit for the SPCB is to offer independent assurance on the adequacy and effectiveness of the systems, processes and internal controls established by the SET. This is achieved by way of independent internal audit reviews performed and reported in accordance with annual internal audit plans agreed with SET and approved by the AAB.
19. The AAB approved the 2025/26 Internal Audit Plan, which provided for approximately 250 audit days delivered by the Head of Internal Audit and Grant Thornton UK LLP.
20. During the year, the Head of Internal Audit temporarily backfilled the Chief Finance Officer role. To safeguard independence, internal audit reporting lines were adjusted so that Grant Thornton reported directly to the AAB for relevant areas. These mitigations were approved by SET, the AAB, and shared with Audit Scotland.
21. Despite some rescheduling of audits into 2026/27, coverage remained sufficient to support an overall assurance opinion. Internal audit reviews included:
- Low Value Payments
 - Corporate Cards
 - Resettlement Grants
 - Procurement – Building Maintenance Contract Strategy
 - Reimbursement of Members Expenses: Claims for Reimbursement in 2025/26
 - Scotland's Futures Forum
22. All reviews provided **at least satisfactory assurance**, with controls operating effectively.
23. Following the approval of internal audit reports, the AAB continues to seek evidence that agreed audit recommendations have been implemented appropriately by way of follow up reports.

REFERENCE: SPCB (2026) - Paper 65

24. Based on the internal audit work performed during 2025/26, and in accordance with the internal audit plan and Global Internal Audit Standards, The Head of Internal Audit provided an **overall satisfactory assurance opinion** from the work performed and on the associated frameworks of governance, risk management and control, subject to the implementation of agreed recommendations.

Risk Management

25. The AAB reviewed strategic risk management at each of its four meetings. The Resilience Office continued to strengthen the Parliament's risk architecture, including clearer articulation of risk appetite, improved scoring methodology, and enhanced reporting.
26. The AAB welcomed the progress made and provided constructive challenge on emerging risks, including cyber security, business continuity, and organisational resilience.
27. Senior officials were invited to present on key areas of strategic and operational risk, enabling deeper insight and proactive assurance.

Advisory Audit Support to Officeholders

28. Independent AAB members provided advisory and audit services to six officeholders:
- Scottish Information Commissioner
 - Scottish Human Rights Commission (Audit & Risk Committee)
 - Children and Young People's Commissioner Scotland
 - Commissioner for Ethical Standards in Public Life
 - Scottish Biometrics Commissioner
 - Scottish Public Services Ombudsman
29. At least two independent members met with each officeholder and their auditors to review audit plans, annual reports, accounts, and assurance arrangements.

Overall Assurance Opinion

30. Based on:
- The AAB's review of the Annual Report and Accounts
 - Audit Scotland's unqualified opinions
 - Internal Audit's satisfactory assurance
 - Evidence from risk management and governance reviews
31. The AAB concludes that effective governance, risk management and internal control arrangements were in place during 2025/26, and that these arrangements meet the assurance needs of the SPCB and the Accountable Officer.

The AAB recommends that the 2025/26 Annual Report and Accounts be approved by the SPCB and signed by the Accountable Officer thereafter.

Assurance Maturity Assessment

32. Across 2025/26, the AAB observed continued strengthening of assurance maturity across the Parliamentary Service. Key indicators include:

- More consistent risk articulation and clearer ownership
- Improved audit follow-up discipline
- Greater transparency in financial reporting
- Strengthened cyber and resilience planning
- More proactive engagement between Internal Audit, External Audit and SET

33. The AAB assesses overall assurance maturity as developing strongly, with several areas approaching advanced practice.

Forward Look – Priorities for 2026/27

34. The AAB identifies the following priorities for the year ahead:

- Embedding the refreshed Terms of Reference
- Strengthening assurance over digital transformation and cyber resilience
- Monitoring delivery of the Session 7 Strategic Plan
- Deepening assurance over organisational culture, ethics, and integrity
- Ensuring robust financial planning and a medium-term sustainability plan in a constrained fiscal environment
- Enhancing assurance reporting to the SPCB through clearer thematic insights

Chair's Reflections

35. 2025/26 has been a year of consolidation and strengthening. The AAB has benefited from constructive engagement with the Accountable Officer, SET, Internal Audit, External Audit, and officeholders.

36. The Board's work continues to reinforce the Parliament's commitment to transparency, accountability, and prudent stewardship of public funds. The AAB will maintain its focus on emerging risks, assurance maturity, and continuous improvement as the Parliament enters Session 7.

Governance

37. All governance issues have been considered for this paper. The work of the AAB forms a key part of the overall governance arrangements for the SPCB and this paper reports how it has carried out that duty.

Resource implications

38. There are no resource implications connected to this paper.

Publication Scheme

39. This paper may be published in line with the SPCB's Publication Scheme.

Next steps

40. The SPCB is invited to note the work of the AAB in 2025/26.

Decision

41. The SPCB is invited to:

- Consider the range of assurances received
- Endorse the AAB's overall assurance opinion
- Approve the 2025/26 Annual Report and Accounts

Joe Al-Gharabally
Chair – Advisory Audit Board
September 2026

Annexe A – AAB Terms of Reference 2025-26

Function

1. The SPCB has established the Advisory Audit Board to support it in its responsibilities for issues of risk, control and governance by considering the comprehensiveness of assurances in meeting the SCPB and Principal Accountable Officer's assurance needs and reviewing the reliability and integrity of these assurances.

Membership

2. The Advisory Audit Board shall consist of two members of the SPCB plus four independent members. The meetings will be chaired by one of the independent members. The composition of the Board will be reviewed as required.

Meetings

3. The Advisory Audit Board will typically meet four times per annum. The Chair of the Advisory Audit Board may convene additional meetings as they deem necessary.
4. A minimum of two members, one of whom must be an independent member, will be present for a meeting to be deemed quorate. All meetings will be chaired by an independent member.
5. Advisory Audit Board meetings will normally be attended by the Clerk/Chief Executive (as the Principal Accountable Officer), the Deputy Clerk/Chief Executive, the Director of Finance and Resilience, the Financial Controller and the Head of Internal Audit.
6. The Advisory Audit Board is authorised to seek any information it requires from other officials of the Parliamentary Service either in writing or by giving evidence before it.
7. Audit Scotland and the Head of Internal Audit should have access to the Advisory Audit Board and audit organisations should attend meetings when required. Internal Audit and Audit Scotland should also have access to the Advisory Audit Board without the presence of the SPCB executive.

REFERENCE: SPCB (2026) - Paper 65

Responsibilities

8. The Advisory Audit Board will review and advise the Principal Accountable Officer and, where appropriate, the SPCB on:
 - i. the adequacy of the arrangements for ensuring robust governance and internal control, including those for the assessment and management of risk;
 - ii. the planned activity of Internal Audit and the results of its work;
 - iii. the planned activity of Audit Scotland and the results of its work;
 - iv. the major findings of audit reports, insofar as they affect the overall performance of the Parliament;
 - v. the adequacy of management responses to issues identified by audit activity and the arrangements for monitoring the implementation of agreed recommendations;
 - vi. the performance of internal and external auditors;
 - vii. proposals for tendering for audit services or for purchase of non-audit services from contractors who provide audit services; and
 - viii. other sources of assurance relating to the overall governance requirements of the Parliament, including reports on financial management and related issues.
9. In particular, the Board shall review the system of internal control and provide the Principal Accountable Officer with advice on whether the necessary assurances required for the signing of the Governance Statement contained within the annual accounts have been provided.
10. Consistent with the SPCB's policies in respect of fraud prevention and whistleblowing, the Chair of the AAB has been appointed as 'Investigating Officer'. With the support of the AAB, the Chair will oversee the response to each suspected fraud or whistleblowing report in line with policy, ensuring that a prompt and robust investigation is undertaken that identified appropriate actions and lessons learned.
11. The Board will report to the SPCB annually for the purposes of the Annual Report and Accounts, summarising the work it has done, and conclusions drawn from that work, particularly regarding the effectiveness of governance and risk management, scope and levels of assurance and any issues to be considered by the SPCB.
12. The Board will report to the SPCB at such other times as the Board considers necessary.
13. As well as financial and value for money audits, the Board may consider other related topics as appropriate.
14. The Board will periodically review its own effectiveness and report the results of that review to the SPCB.

Annexe B – AAB Terms of Reference 2026-27

Version	Author	Reviewer/s	Date
0.1	Joe Al-Gharabally	Initial Draft	21/11/2025
0.2	Joe Al-Gharabally	Steve Renwick and Siobhan White	23/11/2025
0.3	Joe Al-Gharabally	Andy Munro	15/01/2026
0.4	Joe Al-Gharabally	Agreed at AAB with one minor amendment	21/01/2026
0.5b	Joe Al-Gharabally	Final Draft seeking David McGill sign off	16/09/2026

Date Current Version Adopted: 16 September 2026

1. Background

- 1.1 The Scottish Parliamentary Corporate Body (SPCB) is the statutory body responsible for ensuring that the Scottish Parliament is properly resourced, supported, and equipped to fulfil its constitutional functions. Established under the Scotland Act 1998, it provides strategic oversight of the Parliament's infrastructure, staffing, finance, digital services, security, and the wide range of operational services that enable Members to carry out their parliamentary duties. Chaired by the Presiding Officer and supported by elected Members with defined portfolio responsibilities, the SPCB operates through a collective governance model that balances statutory decision-making with collaborative engagement across parliamentary offices. Its operating model emphasises transparency, prudent stewardship of public funds, organisational resilience, and the continuous improvement of services that support scrutiny, legislation, and public engagement.
- 1.2 The Advisory Audit Board (AAB) supports the Scottish Parliamentary Corporate Body (SPCB) by providing independent, expert assurance on governance, risk management, internal control, and audit arrangements across the Parliamentary Service. Operating as a non-statutory advisory body, the AAB offers objective scrutiny of the SPCB's internal and external audit plans, monitors the effectiveness of audit activity, and reviews the robustness of financial reporting, risk frameworks, and organisational controls. Its role is to provide constructive challenge, highlight areas of emerging risk, and offer informed advice that strengthens the SPCB's stewardship of public resources. Through regular engagement with senior leadership, auditors, and the SPCB, the AAB contributes to a culture of transparency, accountability, and continuous improvement, ensuring that the Parliament's governance arrangements remain resilient, proportionate, and aligned with best practice.

2. Scope and Purpose

- 2.1 The Advisory Audit Board (AAB) exists to provide independent scrutiny, assurance, and advice to the SPCB Board and Accountable Officer on the effectiveness of:
- Risk management
 - Internal control
 - Financial reporting
 - Internal and external audit
 - Governance and compliance
 - Counter-fraud, Integrity, and Whistleblowing arrangements.
- 2.2 The AAB supports the SPCB in ensuring the proper stewardship of public funds, safeguarding of assets, reliability of financial and performance reporting, and adherence to good governance principles.

3. Authority

- 3.1 The AAB is authorised to:
- Request any information and records from SPCB staff or contractors such that the information and records being sought are relevant to the AAB's work and ability to provide independent and effective advice and assurance
 - Where deemed essential, seek independent professional advice with pre-approval of the Accountable Officer
 - Identify assurance reviews or investigations as required
 - Assure itself that internal control, governance, and risk arrangements are effective.
- 3.2 The AAB does not hold executive authority but may make recommendations to the SPCB Board and Accountable Officer.

4. Membership

- 4.1 SPCB AAB consists of two MSPs from the SPCB, the independent AAB Chair and two further independent AAB members appointed by the SPCB following open competition.
- 4.2 To form a quorum at least two AAB members, one of whom must be independent, will be in attendance.
- 4.3 AAB members must ensure that the Quorum is maintained for the duration of the meeting.
- 4.4 AAB meetings will be diarised sufficiently well in advance of each meeting to allow AAB members and participants to plan their time and commitments.
- 4.5 Consistent partial or non-attendance will be reviewed by the Chair and action taken to remedy or resolve the reasons why attendance in full is not being achieved.
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- 4.6 The AAB Chair must be an Independent Member.
- 4.7 A Deputy Chair will be appointed to act in the Chair's absence and must be chosen from the other independent AAB members.
- 4.8 Members must collectively possess skills and experience in:
- Advisory (Strategic and Business)
 - Audit and assurance
 - Risk management
 - Financial reporting
 - Governance and compliance
- 4.9 Members will receive induction at the start of their term on the AAB.
- 4.10 Members will normally serve three-year terms, renewable once.
- 4.11 Succession planning will ensure continuity and skills coverage.

5. Attendance

- 5.1 The AAB may:
- Require written or oral evidence from any SPCB officer
 - Request attendance of individuals to present information directly to the AAB Chair
 - Hold private meetings with Internal and External Audit without management present
- 5.2 Regular Attendees will include:
- AAB Chair
 - AAB non-executive member/s
 - Accountable Officer (and or their Deputy)
 - Director of Finance and Resilience as the SPCB's Chief Finance Officer
 - Head of Internal Audit (or delegate)
 - External Audit representatives
 - Secretariat
- 5.3 The Chair or AAB may invite other officials or advisors where relevant.
- 5.4 At least annually, the AAB Chair will meet privately with:
- Internal Audit
 - External Audit
 - The Accountable Officer
 - Director of Finance & Resilience
- 5.5 AAB meetings will be preceded by a 30-minute private meeting between the AAB Chair and the two AAB Non-Executive members (currently Steve Renwick and Siobhan White).
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6. AAB Meetings

- 6.1 The AAB will meet at least four times annually and more frequently if required.
- 6.2 As a minimum, AAB agendas will include:
- Formal opening, welcome, declarations of interest
 - Approval of previous minutes
 - Matters Arising and action tracker update
 - Executive update
 - Issue and Risk update
 - Financial update
 - External Audit update
 - Internal Audit update
 - Future Agenda planner
 - Time and date of next meeting
 - AOB and Formal Close
- 6.3 Papers will normally be issued 5 working days in advance; late papers require AAB Chair approval.
- 6.4 The Chair may vary agendas where required; but must be recorded in the minutes.
- 6.5 Signed minutes will be published on the Scottish Parliament website following approval at the subsequent AAB Meeting.
- 6.6 Virtual attendance is permitted but only with prior agreement with the AAB Chair.

7. Responsibilities

- 7.1 The AAB provides advice, oversight and assurance across risk management, internal control, in the following areas:
- Risk Management:
 - Review the effectiveness of risk management architecture.
 - Advise on risk appetite and tolerance.
 - Assess the veracity of identified strategic risks, emerging threats, and mitigations.
 - Assess cyber security, information security, and business continuity risks.
 - Internal Control:
 - Review internal control effectiveness.
 - Consider thematic assurance and value for money reports.
 - Review financial management and governance assurance reports.
 - Monitor progress on audit recommendations.
 - Review significant control weaknesses or breaches.
 - Assess data quality and information governance arrangements.
 - Internal Audit:
 - Approve the Internal Audit strategy and annual plan.

- Review all Internal Audit reports and associated action plans.
 - Assess Internal Audit independence, scope, capability, capacity and performance.
 - Approve significant interim changes to the risk-based internal audit.
 - Consider the opinion on the overall adequacy and effectiveness of the SPCB's framework of governance, risk management, and control, together with the summary of the work supporting the opinion.
 - Receive reports outlining the action taken where the Auditor has concluded that management has accepted a level of risk that may be unacceptable to the AAB, or where there are concerns about progress with the implementation of agreed actions.
 - Consider Internal Audit annual reports, including the statement of the level of conformance with the Global Internal Audit Standards, and the results of any Quality Assurance and Improvement Programme.
 - Consider any impairments to the independence or objectivity of the head auditor arising from additional roles or responsibilities outside of auditing and approve and periodically review safeguards to limit such impairments.
 - Obtain assurance of coordination between Internal and External Audit.
- External Audit:
 - Review financial audits, value for money audits, and thematic reports.
 - Review the External Audit plan.
 - Consider all audit findings, reports and management letters.
 - Monitor management responses and follow-up.
 - Approve significant interim changes to the risk-based external audit plans and resource requirements.
- Financial Reporting:
 - Review the Annual Report and Accounts.
 - Assess accounting policies, estimates, and judgements.
 - Advise the Accountable Officer on the Governance Statement and signing of the accounts.
 - Review errors and the letter of representation.
 - Enquire as to future changes in accounting policy that impact the organisation.
- Governance and Compliance:
 - Review governance disclosures themes.
 - Review ethical standards, compliance reporting, registers of interest, and gifts and hospitality logs.
 - Consider oversight reports from inspectorates or regulatory bodies.
- Fraud, Integrity and Whistleblowing:
 - Review fraud, corruption, and whistleblowing arrangements.
 - Receive reports on fraud investigations and whistleblowing disclosures.
 - Review the effectiveness of prevention and detection controls.

8. AAB Effectiveness

- 8.1 The chair will conduct an annual effectiveness review of the AAB.
- 8.2 Consider commissioning an external evaluation of the AAB once in each Parliamentary session.
- 8.3 Report improvements and lessons learned to the SPCB.

9. Advisory Role to Senior Leadership

- 9.1 The AAB may advise the Accountable Officer and Senior Executive Team (SET) by:
 - Providing insight on emerging risks and governance issues.
 - Advising on risk escalation and appetite.
 - Highlighting key audit findings and control issues.
 - Offering feedback on items of interest, but also specifically on governance, fraud, cyber security, and compliance policies.
 - Suggesting immediate mitigation actions if necessary.
 - Promoting organisational learning and assurance maturity.
 - Supporting on significant or urgent matters as they arise.
- 9.2 The AAB Chair may:
 - Meet periodically with senior leadership
 - Provide pre-AAB advice on significant matters
 - Liaise with auditors to communicate assurance insights
 - Offer informal guidance on strengthening governance and controls.

10. Reporting

10.1 Minutes

- Minutes will be approved by the Chair.
- Minutes will be drafted within 5 business days post the AAB meeting.
- The Chair will finalise the minutes within 5 business days of them being received.
- The finalised minutes will be circulated within 10 business days post the AAB.
- The AAB may issue reports or advisory notes at any time.

10.2 AAB Annual Report

- The AAB chair (in consultation with other independent AAB members) will provide an Annual Report summarising:
 - Key activities and conclusions.
 - Audit performance.
 - Governance and control effectiveness.
 - Significant issues and recommendations.
 - Findings of the AAB's effectiveness review.

10.3 Core Work Programme will align with the annual audit plans, governance, and financial reporting cycles, typically:

- Q1: Approve audit plans; review strategic risks; policy updates.
- Q2: Audit progress; governance reviews; risk updates.
- Q3: Deep dives; follow-up reviews; compliance checks.
- Q4: Annual accounts; audit completion; AAB Annual Report.

11. Review of Terms of Reference

11.1 These ToRs have been drafted by the Chair of the AAB, in consultation with AAB members, External Audit and Internal Audit.

11.2 These ToRs will be reviewed annually, with proposed changes submitted to the SPCB.

AAB ToR Approved by	Name	Date
SPCB AAB Chair	Mr Joe Al-Gharabally	7 September 2026
SPCB Accountable Officer	Mr David McGill	

Terms of Reference Next Review Due: By September 2027