

Scottish Commission for Public Audit
Monday 23 June 2025
1st Meeting, 2025 (Session 6)

Audit Scotland Annual Report and Accounts for the year to 31 March 2025 and Auditor's report on the Accounts

Purpose

1. Audit Scotland's annual report and audited accounts for the year to 31 March 2025 has been laid before the Parliament.
2. The Scottish Commission for Public Audit (the Commission) will take evidence on both the annual report and the accounts from Audit Scotland. It will then take evidence on the accounts from Alexander Sloan, the external auditors appointed by the Commission to carry out the annual audit of Audit Scotland.
3. Following this, the Commission will take evidence from Audit Scotland on its Quality of Public Audit in Scotland annual report 2024/25.
4. A covering letter from the Auditor General for Scotland, the annual report and accounts, and the management letter from Alexander Sloan are attached as **Annexe A** of this paper.
5. A copy of its Quality of Public Audit in Scotland annual report 2024/25 can be found in **Annexe B**.

Conclusion

6. **The Commission is invited to consider Audit Scotland's annual report and accounts, the Auditor's report on the accounts, and the Quality of Public Audit in Scotland annual report.**

Secretary to the Commission
June 2025

10 June 2025

Colin Beattie MSP
Chair
Scottish Commission for Public Audit
T3.40
Scottish Parliament
Edinburgh
EH99 1SP

Dear Chair

Audit Scotland's 2024/25 Annual Report and Accounts

I am pleased to submit Audit Scotland's Annual Report and Accounts for the year ended 31 March 2025, which I signed along with the external auditor, David Jeffcoat from Alexander Sloan on 9 June 2025.

I have also enclosed our annual report on the Quality of Public Audit in Scotland, as well as our Audit Committee Chair's Annual Review.

The operational underspend was £61k (0.5%), broken down as revenue £59k and capital £2k, with the underspend balance of £1,899k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19) and non-cash right-of-use lease capital under IFRS 16. The 2024/25 budget included planned efficiencies and cost savings of £1,420k. The actual operational outturn has led to efficiency and cost savings of £1,481k, 3.9% of total operating expenditure.

Together with colleagues, I look forward to briefing the Commission later this month on the Annual Report and Accounts and later sessions planned on our Future of Public Audit model and Audit Modernisation and 2025/26 Budget. Please do not hesitate to get in touch if you need anything before then.

Yours sincerely



Stephen Boyle
Accountable Officer and Auditor General for Scotland

Annexe A: Annual report and accounts

Annual report and accounts

2024/25



Our performance



2024/25 in numbers


253

Accounts audited


10

National and local
performance reports


20

Briefings, reports
and blogs


17

Technical guides


£52.9bn

Payments under
Comptroller
function

Making a difference - throughout this annual report we illustrate examples of our impact through 'Making a difference' examples.



Our year

- In 2024/25, we made progress in recovering the timeliness of annual financial audits under our multi-year phased recovery plan. Some 55 per cent were delivered to target dates, up from 48 per cent the previous year, and 92 per cent by 31 March 2025. We will continue to work to meet our expected performance levels.
- We published ten performance audits, seven Best Value reports, eight blogs and five briefings on a wide range of public services and bodies. We also published five statutory reports on issues found in our financial audit work. Alongside this, we aided public and Parliamentary understanding and scrutiny through our engagement, evidence and diverse communications.
- Many of our recommendations aimed to help the sector tackle the fundamental reforms it needs to make, and our audit work has driven tangible impacts at the 224 public bodies we audit. Public bodies accepted 96 per cent of our recommendations, 86 per cent said they were clear and easy to understand, and bodies ranked the usefulness of the annual audit as 4.3 out of five.
- During 2024/25 we moved forward with our audit modernisation agenda, including agreeing the business case, engaging with the Scottish Parliament and securing Parliamentary funding, and entering a partnership to use bespoke audit management software.
- We want to ensure and demonstrate that we are as efficient and effective as possible. We do this through targeting our resources, supporting our workforce and evaluating our performance. In 2024/25, we launched a new Health, Safety and Wellbeing Plan, introduced a revamped performance appraisal and development approach, and refined our workforce planning.
- We balanced our budget and finished 2024/25 with a £2.0 million underspend. Year-end pension scheme adjustments accounted for £1.7 million of the underspend, and £0.2 million related to IFRS 16 lease capital. This means we had an overall operational underspend of £0.1 million.

Our context

Public audit in Scotland, the shared statement of purpose between the Auditor General, the Accounts Commission and Audit Scotland sets out our shared vision and mission, and the outcomes where we aim to achieve measurable change by 2028.

Through our **Corporate plan 2023-28**, Audit Scotland supports these through our strategic priorities and our values.



Vision

Public money is well spent to meet the needs of Scotland's people.



Mission

Provide clear, independent and objective assurance on how effectively public money is being managed and spent.



Outcomes

- Public services in Scotland work better together to target resources more effectively.
- Financial planning and management are more effective across Scotland's public services.
- Public bodies deliver clearer and more transparent reporting.
- Our recommendations have a positive impact for people in Scotland.



Strategic priorities

- Timely and impactful annual audit.
- Dynamic performance audit programme.
- Enhanced audit approaches.
- Developing our people and our business.
- Insights driving innovation and improvement.



Values

Equality | Independence | Innovation | Integrity | Respect

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Chair's welcome



The impact of robust, independent and reliable public audit is crucial for taxpayers, users of public services and decision-makers at any time. It is even more so now, when public finances and bodies are under significant financial and demand pressures.

In that context, we are focused on ensuring public audit has a strong and tangible impact from the work we do across all public services.

At its heart, public audit drives accountability and transparency about public finances. This in turn empowers good governance of the almost £60 billion of annual public spending in Scotland.

This starts from the base of the audit opinion on the annual accounts. Two words – ‘unqualified opinion’ – provide multiple layers of assurance to the public, policymakers and bodies themselves about the probity and reliability of the reporting of public spending. Where it must, public audit also draws attention to the things that haven't gone well. This typically prompts strong remedial responses.

But as we detail in this report, it goes further. This includes impact at individual bodies and across sectors, as we inform and highlight improvement, and push for more transparency and better leadership.

Ultimately, our work aims to achieve our vision that public money is well spent to meet the needs of Scotland's people.

This is my first annual report as Chair of Audit Scotland's Board. The board's role is to oversee and support Audit Scotland to achieve impact. As board members, we do this through endorsement, feedback, challenge and direction as appropriate.

I would like to thank my board colleagues. I would like to pay tribute to my predecessor Professor Alan Alexander OBE, not only for his service to Audit Scotland but also for his long and distinguished career in public services. I am also grateful to Audit Scotland's Executive Team for their leadership and management of the organisation and their advice to the board.

Most of all, I would like to thank Audit Scotland's staff for their hard work and genuine commitment to all they do.

Colin Crosby OBE

Chair of the Audit Scotland Board

Accountable Officer's report



Public audit can and must play a role in the fundamental reforms needed in public services if they are to be sustained in the future.

For several years, public auditors and others have warned about the scale and pace of the changes needed to services and financial management.

It would be unfair to say that this has gone unheeded. But from the Scottish Government through to individual bodies, those in charge of driving change are also trying to meet today's demands and expectations amid tightening budgets and structural issues. Balancing the day job with making the major changes needed is difficult.

Public audit has a unique view across all public services and we can help, through highlighting good practice and specific issues, providing information and insights, and continuing to stress the urgency of the situation. Throughout 2024/25 we have prioritised our contributions, from specific actions at individual bodies to wider ranging recommendations to thought leadership. We will continue to develop how we support Scotland's public sector as it tackles the tough but vital work ahead.

The need to make changes while managing resources efficiently is also incumbent on us as an organisation.

Over the past year we continued to modernise our audit approaches to ensure we are skilled, equipped and ready for the future. I would like to thank the Scottish Commission for Public Audit, the parliamentary group that reviews our budget and spending, for their support.

We work to ensure we are efficient and effective and demonstrate the financial stewardship we expect of others. Through careful management, we finished 2024/25 with an operational underspend of £0.1 million.

During 2024/25, several long-standing colleagues retired. I thank them for their hard work and commitment over many years, including our former Executive Director of Performance Audit and Best Value Antony Clark and our outgoing chair Professor Alan Alexander OBE.

Lastly, I want to thank my Audit Scotland colleagues and the staff at the external firms we contract for the rigour, integrity and empathy they bring to their work and workplaces each day.

Stephen Boyle

Auditor General for Scotland and Accountable Officer

Timely and impactful public audit

We ensure that public audit in Scotland applies the highest professional and ethical standards, that it is efficient, proportionate and risk-based, and promotes transparency and accountability.

In 2024/25, our in-house audit teams and the firms we contract audited 253 sets of public body accounts under the [Code of audit practice](#). Auditors delivered 55 per cent to updated guidance and target dates, an improvement on 48 per cent last year. By 31 March 2025, 92 per cent of audits had been delivered.

We continued to work on recovering audit delivery timeliness. We have a multi-year programme to recover our delivery against expected performance within three years, and we are on track to achieve this.

Accounts audited in 2024/25

125	85	23	20
Local government	Central government	NHS	Further education

Note: the total number of accounts is higher than the number of public bodies in Scotland. This is because some bodies are responsible for additional accounts such as pension funds, and joint and partnership boards.

We take a risk-based approach to prioritising work so that we can ensure high quality, while also considering colleagues workloads, wellbeing and professional development commitments.

The annual audit of public bodies provides the foundation for all our work. A key feature of public audit in Scotland is that it goes further than the audit of the accounts. The Code of audit practice sets out a wider scope to look at matters such as vision, governance and leadership; financial sustainability and management; and how well public bodies use resources to improve outcomes. Through the audit we also seek to add value to the organisations and wider public sector through our work. See Making a difference on [page 11](#).



Accounts audited in 2024/25

Audits are carried out by Audit Scotland's Audit Services Group and by audit firms appointed by the Auditor General and the Accounts Commission. During any financial year, the audit work is for the accounts of the previous year, ie in 2024/25 the audits were of the 2023/24 accounts.

Following international standards, auditors report whether they believe the accounts are true and fair, and free from material misstatement, and that money was spent in accordance with legislation and other relevant regulations.

All accounts we audited for the 2023/24 year were judged to be true and fair, while one audit on the 2022/23 accounts was **qualified** in this regard. For almost all accounts, auditors gave **unqualified** opinions. This gives the audited organisation, its workforce, elected officials and the people who use its services the highest level of assurance about public spending and financial reporting.

Auditors qualified their opinion for the accounts of: Social Security Scotland and the Water Industry Commission for Scotland for regularity reasons; and Lews Castle College (2022/23 accounts) on financial statements.

Raising issues from annual accounts

We highlight matters of concern we find in the annual audits that are of significant public interest.

The Auditor General does this through powers in Section 22 of the Public Finance and Accountability (Scotland) Act 2000, and the Controller of Audit through powers under Section 102 of the Local Government (Scotland) Act 1973.

In 2024/25, we issued three Section 22 and two Section 102 reports:

Section 22s:

- [Scottish Government Consolidated Accounts](#)
- governance and management failings at [Water Industry Commission for Scotland](#)
- concerns about the viability of [Ferguson Marine Port Glasgow \(Holdings\) Limited](#).

Section 102s:

- an update on failings to provide school accommodation at [Renfrewshire Council: Dargavel Village](#)
- a £1.1 million fraud at [Aberdeen City Council](#).



An unqualified audit opinion

An unqualified opinion means the auditor considers the accounts are true and fair, and comply with accountancy standards and legislation. The auditor has no significant concerns about matters contained in the accounts.

A qualified audit opinion

A qualified audit opinion means the auditor wishes to draw attention to specific matters in the accounts.

A qualification 'for regulatory reasons' means aspects of the accounts don't comply with specific legislation or standards.

A qualification on the 'financial statements' means the auditor judges an aspect of the accounts to be either factually incorrect or incomplete, or judges the accounting treatment to be incorrect.

Through these, we can ensure clear accountability for the management and use of public money, and that the wider public sector can learn. For example, we gave evidence to the Scottish Parliament on all S22s and wrote to all councils about the fraud case at Aberdeen City Council.

Reporting on Best Value in local government

Best Value (BV) auditing is fully integrated in the annual audit of local government bodies. We also produce reports on annual BV thematic work. The Accounts Commission confirms the theme for this each year, based on risks identified by the Controller of Audit from financial and performance audits.

During 2024/25, we sent all councils management letters on the BV theme of workforce innovation. We published one overarching thematic BV report, on the previous year's theme of leadership, and six reports on individual councils:

- Thematic report: [Delivering for the future – why leadership matters](#).
- Best Value: [Falkirk Council](#)
- Best Value: [Clackmannanshire Council](#)
- Best Value: [City of Edinburgh Council](#)
- Best Value: [Scottish Borders Council](#)
- Best Value: [East Renfrewshire Council](#)
- Best Value: [Fife Council](#).



Audit appointments and technical guidance

Under the Scottish model of public audit, appointments are rotated every five years for both our in-house teams and the external firms we contract with. This helps safeguard the independence of appointed auditors, and perceptions about that independence.

The appointed auditors for each public body [are available on our website](#).

We also publish [technical guidance and bulletins](#) on a range of issues for public sector auditors.

1

Making a difference

Having a positive impact through audit



The impact and benefits of our financial audit work goes wider than stating whether a public body's accounts are true and fair.

Through our wider scope and [Public audit in Scotland](#) we aim to help public bodies improve in a variety of areas. These range from governance and accountability to partnership working and project management to helping prevent mistakes and making it easier for the public to understand financial reports.

During 2024/25, some of the biggest impacts we achieved were in helping public bodies deliver clearer and more transparent reporting, one of our PAIS outcomes. A key theme of our recommendations has been better performance analysis, and we provided guidance and examples to help bodies achieve this.

Our technical expertise and advice were also key in helping audited bodies address complex accounting areas such as pensions and asset valuations. For example, after one body corrected mistakes we found in its accounts, its financial position was £81 million better than thought.

Other public bodies have implemented our recommendations for longer-term financial planning and multi-year budget scenarios, improving the strategic and operational management of public money. At others, our challenges to the standards of governance and leadership have driven significant improvements.

Dynamic performance audit programme

We produce performance audits and overview reports on issues of important public interest and significant amounts of public money on behalf of the Auditor General and the Accounts Commission. These include overviews of key public services, reviews of major reforms and projects, and exploring how public bodies respond to the key issues facing Scotland. See Making a difference on [page 15](#).

We communicate our findings and recommendations through a range of products, from detailed performance audit reports to briefing papers and update reports to blogs. We supplement these with diverse approaches such as social media, videos and animations, bespoke products and targeted engagement to ensure our messages are heard and understood by the people and organisations affected.

Performance audit

Across our performance audit work, there were recurring themes of severe budget constraints, the urgent need for reform, and how crucial leadership, vision and engagement are to addressing the significant pressures and fiscal constraints on public services. As well as highlighting these, we use the insights and information we gain from our unique view of the whole public sector to help inform and support public bodies to make the changes needed.

During 2024/25, we published:

Performance audits and overviews

- [Local government overview: Councils' budgets 2024/25](#)
- [IJB finance and performance 2024](#)
- [Tackling digital exclusion](#)
- [Local government overview: Transformation in councils](#)
- [Alcohol and drug services](#)
- [The Scottish Government's approach to fiscal sustainability and reform](#)
- [NHS in Scotland 2024](#)
- [Local government overview: Financial bulletin 2023/24](#)
- [Sustainable transport](#)
- [General practice.](#)

Local government budgets 2024/25



May



NHS in Scotland 2024: Finance and performance



December



Sustainable transport



January



Briefings and update reports:

- [Scotland's colleges 2024](#)
- [Administration of Scottish Income Tax](#)
- [A review of Housing Benefit overpayments](#)
- [Additional support for learning](#)
- [IJB financial analysis 2023/24.](#)

Blogs:

- [Delivering for the future - why leadership matters](#)
- [The role of chief financial officers in local government](#)
- [The importance of the Local Government Benchmarking Framework](#)
- [AGS: four years into my term](#)
- [The Accounts Commission's role in supporting reform](#)
- [LGO financial bulletin 2023/24](#)
- [IJB financial analysis 2023/24](#)
- [Council tax setting across councils.](#)



Supporting scrutiny and countering fraud

Supporting the Scottish Parliament

Public audit helps the Scottish Parliament and policymakers understand the key issues facing the public sector and how public money is spent.

The Auditor General reports in public to the Scottish Parliament's Public Audit Committee, and the Accounts Commission engages with the Local Government, Housing and Planning Committee. We also regularly engage formally and informally with other committees and the Scottish Parliament Information Centre to help parliamentarians better scrutinise the public sector.

During 2024/25, we met with and gave oral and written evidence and briefings to a wide range of parliamentary committees, with a total of 99 parliamentary engagements.

Alongside that formal reporting, we have responded to consultations and calls for evidence by parliamentary committees. We provided submissions to 16 Scottish Parliament and Scottish Government policy consultations in 2024/25.

Coordinating and improving scrutiny

We work closely with other scrutiny bodies to make sure the scrutiny of public sector bodies is targeted, proportionate and coordinated. During 2024/25, the Controller of Audit led work with the Scrutiny Coordination Group, and Audit Scotland brought together the Strategic Public Sector Scrutiny Network to improve and streamline scrutiny. More information is available on our [Improving scrutiny webpage](#).

Countering fraud

Public audit has an important role in raising awareness about fraud as well as helping to prevent and report on fraud. We report on frauds identified during the year, and have responsibility to review how public bodies discharge their counter-fraud responsibilities.

Audit Scotland coordinates the National Fraud Initiative, an exercise that matches datasets across the public sector to identify potential fraud and errors such as overpayments. In August, we published [The National Fraud Initiative in Scotland 2024](#), which identified £21.5 million worth fraud and errors across Scotland's public sector.

The next biennial NFI report will be published during 2026. More information is available at our [Counter-fraud webpage](#).

2

Making a difference How audit can support reform



Scotland's public bodies, decision-makers and leaders are in no doubt about the need for urgent and fundamental reform.

But they face many challenges, not least the need to keep delivering vital services in the face of rising demand and tightening budgets.

In this context, public audit has a role in supporting reform that goes beyond highlighting the need for change. Through our work, we inform and support change by:

- identifying barriers and opportunities; in October [the AGS encouraged the Scottish Government to review the public sector workforce](#) as it addresses a forecast £1 billion shortfall
- sharing good practice and case studies; for example, [the Accounts Commission said other councils can learn from how Scottish Borders Council is tackling the issues](#) many face across local government
- coordinating projects, scrutiny and intelligence, through our [scrutiny](#)

[coordination work](#) and other forums; in 2024/25 we participated in ten external roundtables and working groups on reform

- setting the agenda and urgency and calling for transparent conversations and clear plans, such as through our [fiscal sustainability](#), [NHS](#) and [transformation in councils](#) reports
- sharing insights from the themes and data coming through our work; in August the [AGS set out the common themes](#) he saw during his first four years in post, and we presented at several Scottish and national events on reform
- working in partnership to explore the key elements needed and the routes to reform, such as our [joint event and report with the Royal Society of Edinburgh](#).

We continue to work on bolstering our approach. During the coming year, this includes looking to create internal and external steering and reference groups to guide our work on reform, and testing new audit approaches.

Enhanced public audit approaches

Modernising our audit approaches

Through our multi-year Audit Modernisation Project, we are transforming our approaches and the software, tools and training we use.

During 2024/25, we made significant progress in one of the project's key workstreams, our partnership with the UK National Audit Office to use a bespoke software and audit management system.

We developed and rolled out our new audit planning tool, thus responding to a need highlighted through our staff consultation and quality reviews. We also created several new tools and resources that we are delivering alongside new software and training.

We made progress on other key aspects of modernisation, such as the shape of our workforce and our learning and development approach. More information is in [Developing our people and our business](#).

The project will ensure that we aren't just keeping up with changes, but can lead and influence the development of public audit.

For more on audit modernisation, see [Making a difference](#) on [page 18](#).

Future of public audit

As well as modernising our approaches, during the past year we launched a programme to examine fundamental questions about what public audit in Scotland may look like after the current round of audit appointments concludes in 2028. We will report as this progresses in the coming years.

Audit quality

High-quality audit work is fundamental, so that the assurance we provide is reliable and supports our ability to drive improvements and reforms.

Our [Audit Quality Framework](#) sets out how we review the quality of the financial and performance audit outputs delivered for the Auditor General and Accounts Commission. The framework has three levels of assurance:

- Level one: training and support, delivered through our learning and development and people strategies.
- Level two: internal quality monitoring, reviews and improvement activity, led by our in-house independent Audit Quality and Appointments team and our Quality team.

- Level three: external independent quality reviews, undertaken by the Institute of Chartered Accountants in England and Wales (ICAEW). More detail is available in [Audit quality in Audit Scotland: Commitment to quality](#).

Reviews of a sample of audits completed in 2024/25 found:

- 62.5 per cent of financial audits and all of performance audits reviewed externally achieved our expected standard of no more than limited improvements needed
- 80 per cent of financial audits and all of performance audits reviewed internally achieved our expected standard of no more than limited improvements needed
- 12.5 per cent of financial audits reviewed externally required significant improvements. This is below our expected standards. We have investigated the audit in question and are working with the audited body to resolve any issues arising from it, and are working to identify root causes for all improvements – limited and significant – across our audits.

The reviews found that most reports provided clear narrative, explanations and findings, useful recommendations, clear judgements and detailed action plans.

Common areas for improvement were: the need for all reports to provide an explanation of judgements about materiality; clear conclusions about whether central government and NHS bodies provide Best Value; and that all recommendations have agreed target dates.

Public bodies gave highly positive feedback on work, rating the usefulness of annual audits at 4.3 out of five, the usefulness of overview reports at 4.0 and the usefulness of performance audits at 3.9.

Internally, 87 per cent of colleagues said Audit Scotland's culture encouraged them to deliver high-quality audits, and 75 per cent said they had the coaching, guidance and learning and development to support this. Forty-five per cent felt they had the time and resources needed. This is an increase from 2023/24 but is still an area we need to improve.

These results inform our quality improvement activity. More information is available in [Quality of public audit in Scotland annual report](#) and our [Transparency report](#).

We continue to represent, and engage with, a wide range of international and UK professional bodies, auditing and accounting standards setters, and audit agencies. This includes consultations on professional and regulatory matters, and discussing audit quality activity to learn from and share good practice.

During 2024/25, we also published internally our new quality handbook and provided auditors with guidance on new asset valuation standards.

3

Making a difference Modernising audit



The requirements and expectations of audit are constantly advancing, as are the technology and tools we use and the contexts we work in.

Through our Audit Modernisation Project, we aim to ensure that we can meet the needs of audit now and lead the advances of the future.

During 2024/25, we made significant progress in the multi-year project. This included widespread internal consultation and working parties across Audit Scotland, as well as ongoing engagement and discussion with audit institutions in the UK and abroad.

After clarifying and agreeing our needs now and in the years ahead, we addressed the crucial choice of software. We have used our current system for well over a decade and have got as much as possible from it.

After extensive option appraisal, we chose to partner with the UK National Audit Office to use the bespoke software it has developed and is implementing. This allows us to jointly make best use of the existing investment in audit management software and further strengthens collaboration between our offices.

Throughout the process we engaged with both our board and the Scottish Commission for Public Audit, the body that scrutinises our performance, spending and financial planning. In January, the SCPA approved Parliamentary funding to procure and roll out the new system.

We continue to make progress, with key landmarks in 2025/26 including finalising our full business case and implementation plan, and agreeing the required contractual arrangements to cover development, support and maintenance.

Developing our people and our business

Our people

Our workforce in 2024/25

345

Whole-Time
Equivalent (WTE)

4.23%

increase
from March 2024

Through our people strategy, we are focused on meeting the needs of our workforce now and in the future. The strategy's five pillars are:

- diversity, equality and inclusion
- health, safety and wellbeing
- learning and development
- performance management
- workforce planning.

Of our strategy's 21 priority actions for 2023 to 2025, 12 are complete and nine are making significant progress.

Progress against our strategy is reported and considered annually by our Remuneration and human resources committee.

We undertake an independent externally-run staff survey each year through Best Companies. In March 2025, we were awarded 'One star' status, reflecting that our colleagues believe Audit Scotland is a 'very good' place to work.

Diversity, equality and inclusion (DEI)

We are committed to promoting DEI across Audit Scotland and to rigorously evaluating our performance on this.

During 2024/25, we continued working with our DEI partner, Business in the Community (BitC), to help us deliver our equality outcomes of increasing the diversity of our workforce, supporting their progression through every level of Audit Scotland, and to broaden our culture of DEI. Working with BitC and our staff networks, we developed our new DEI strategy during 2024/25, and this was published in April 2025.

In March 2025, we implemented our Employee Passport, a voluntary scheme where colleagues can enter information about what adjustments



they need to support them. This can be for reasons ranging from health conditions and disabilities to caring responsibilities to religious obligations.

For more information on our diversity, equality and inclusion work and staff networks, [see page 55](#) in our Remuneration and staff report.

Diversity, equality and inclusion	Audit Scotland	Scotland
6.1% colleagues declare they are from ethnic minorities , compared with 5.8% for Scottish working population	6.1%	5.8%
4.3% colleagues declare they are from LGBTQ+ , compared with 4.0% for Scottish population over 16	4.3%	4.0%
7.0% ¹ colleagues declare they have a disability , compared with 20.7% for Scottish working population	7.0%	20.7%

Note 1. 44.3% of employees preferred not to disclose any information.

Health, safety and wellbeing

In November, we published our Health, safety and wellbeing plan to support a healthy and thriving workforce. See Making a difference on [page 23](#).

Learning and development

The skills and ongoing learning of our colleagues are central to our performance, to modernising audit and to ensuring we are capable, empowered and confident to deliver new ways of working.

Our new learning plan, launched in August 2024, includes our revamped learning management system. This provides a mix of mandatory and optional learning pathways tailored to each colleague based on their role, responsibilities and grade, including targeted learning and development for all line managers. We also ran the first tranche of a new development programme for aspiring leaders. This is a joint project with Audit Wales.

We run one of the largest public sector accountancy training schemes in Scotland. At 31 March 2025, we had 57 trainees working towards Institute of Chartered Accountants in Scotland qualifications. We also have four Modern Apprentices, which offers opportunities for young people to join the workforce and gain a qualification at the same time. We are exploring ways to widen our MA programme and other entry routes to Audit Scotland.



19.9 days on average of training for each staff member in 2024/25



94.1 per cent: exam pass rate at first sitting of our trainees

Performance management

We have worked to ensure all colleagues and teams are able to focus on purpose and production. We have refocused our performance appraisal and development approach, and launched the new Your Performance and Development system in early 2025. Through this, colleagues at all levels set objectives that clearly link to our [Corporate plan 2023-28](#) and our business plan, and thus to achieving our [Public audit in Scotland](#) outcomes. Through this, we can both ensure that work by all teams and individuals aligns to our vision and strategy, and that colleagues can clearly see their own contributions to public audit's purpose.

Workforce planning

We continue to develop our workforce plan alongside our audit modernisation project. This is to ensure we have the right levels and balance capacity, skills and role mix to be both highly effective and efficient, and that we can meet the needs of audit in coming years. Our new Workforce plan 2025-28 was agreed in April 2025, and we will report further in next year's annual report.

During 2024/25, we revised our approach to recruitment. This included introducing a new recruitment board approach. This enables us to better monitor vacancy management, scrutinise all vacancies and recruitment requests, and take a strategic, pan-organisation overview of recruitment and roles. We are also raising our vacancy factor from two to five per cent from 2025/26 onwards to help manage budgetary pressures.

We have also embedded regular reviews of our succession planning arrangements for roles across the organisation.

Business planning and resourcing

We are investing in a new resource management tool to enhance understanding of our productivity and workflows, better deploy our resources and better identify efficiencies. This is in the progress of being implemented, and will be available for staff before end of 2025.

We completed changes to our physical workplaces by reducing the size of our Edinburgh office, while creating more space in Glasgow. This will deliver £2.2 million in savings in our facilities costs over the next decade.

Reviews of the structure, effectiveness and efficiency are either complete or under way across several business groups. During 2024/25, we undertook a Best Value review of Audit Scotland, similar to those we conduct on other public bodies. The review provided assurance for the most part about our operations, and recommended we focus on the balance and effectiveness of audit- and non audit-related activity.

Climate change and sustainability

Our most recent information on our sustainability performance is for 2023/24. During the year, the total emissions counted against our target was 124 tCO₂e. This is higher than the previous year due to an increase in office-based working and the expansion of our Glasgow premises. However, it is about 30 per cent lower than our 2024/25 target, and nine tCO₂e lower than our current 2030 target. More information is in our [Climate change annual report 2023/24](#).

During the year we chose to maintain our current emissions reduction targets in the short term. We will use 2024/25 data to inform changes to future targets to ensure they're stretching but realistic.

Our 2024/25 report will be published in late 2025.

4

Making a difference

Supporting a healthy and thriving workforce



Over the past two decades, Audit Scotland has built a strong reputation and a supportive, warm and inclusive culture. The wellbeing and performance of our people are at the heart of these.

In 2024/25, we launched our Health, safety and wellbeing plan 2024-28, a key plank of our people strategy.

Our vision for our people is: 'A high impact workforce through Audit Scotland being an excellent place to work. A place where everyone feels able to thrive, supported, valued, and recognised for their contributions.'

To achieve this, we are focusing on the following types of wellbeing:

- **Physical:** ensuring safe workplaces, supporting colleagues with disabilities or health conditions, and encouraging healthy habits and providing voluntary health checks.
- **Mental:** occupational health support and adjustments for mental ill health, mental health training for line managers, managing work-related stress, and embedding mental health advocates across Audit Scotland.
- **Social:** supporting effective hybrid working and preventing isolation, and promoting career development opportunities.
- **Financial:** providing fair pay deals, promoting our counselling and occupational health services, employee benefits that support financial wellbeing, and retirement support and training.

Insights driving innovation and improvement

Stakeholder engagement

We engage with a wide range of stakeholders to capture the views, experiences and priorities of decision-makers, the people delivering services and the people using them. This informs our audit programme and helps make sure our work is relevant. Through effective engagement we can also ensure our findings and recommendations reach the people they affect, and that we can track and understand our work's impact.

We take a diverse range of approaches to communications and engagement to try to reach, inform and empower all those with an interest in our work and messages. See [Making a difference on page 26](#).

We routinely meet with both the bodies and people we audit and service users, and we share learning and good practice with the wider public sector to support reform and improvements.

Our engagement covers more than our published audit work and messages. For example, during 2024/25 we collaborated with the other public audit institutions in the UK and Ireland on areas such as developing digital audit and approaches to using artificial intelligence in communications.

During the year, our independent appointed internal auditors reviewed our stakeholder engagement approach and management. They gave our board 'strong' assurance, the highest level available, and made two minor recommendations to improve clarity about roles and reporting.

Assessing our impact

We have been embedding our framework for monitoring, evaluating and reporting on the impact of our audit work. We publish regular [impact monitoring and evaluation reports](#) on our website.

Under our framework, auditors are expected to create SMART audit recommendations for public bodies and then follow up progress. In 2024/25, 96 per cent of our recommendations were accepted; 86 per cent of public bodies said our recommendations were clear and easy to understand; and 57 per cent agreed that they were useful in influencing improvement.

In [Public audit in Scotland](#), we committed to reporting publicly twice during its five-year term on our performance against the four PAIS outcomes. During 2024/25, we began work on our first evaluation, due to be published in 2025.

As reported in Timely and impactful annual audit, we monitored the individual areas where the financial audit has specific impact.

Corresponding with the public

We dealt with 252 items of correspondence in 2024/25, compared with 301 in 2023/24. In 2024/25, 99 per cent of correspondence was acknowledged within five working days and 100 per cent received a final response within 30 working days.

We saw a fall in the number of issues of concern that people raised with us about public bodies, after increases over previous years. Most issues of concern – 57 per cent – were about local government, and nine per cent were about bodies outside our remit. We provide advice about our role and remit to help correspondents best direct their enquiries.

Audit Scotland, the Accounts Commission, the Auditor General and the firms we contract are all **'prescribed persons'** under The Public Interest Disclosure (Prescribed Persons) Order 2014. This means that whistleblowers (employees) can raise issues of concern, or disclosures, with us about fraud, corruption or wrongdoing within public bodies. We received 26 whistleblowing disclosures during 2024/25.

More information is in our [Correspondence and whistleblowing annual report 2024/25](#).

International work

Our [International work strategy 2024-28](#) sets out our mission to learn, share our knowledge and expertise, and help support effective public sector governance and accountability in Scotland and overseas. We also commit to ensuring international activity is conducted efficiently, effectively, provides value for money and promotes sustainability.

International activity highlights 2024/25

EURORAI management committee and conference – This event considered how public audit institutions address climate change and its impacts on public bodies. We shared learning from other organisations with our climate change team.

Office of the Auditor General of British Columbia and Queensland Audit Office – We met with the AG of British Columbia and liaised with Queensland as part of our research for our audit modernisation project.

EURORAI seminar – We presented on how public audit institutions can make contributions to addressing the challenges of fiscal constraints.

Swedish Association of Local Authorities and Regions – We hosted a delegation of representatives of Swedish local government that was exploring municipal audit.

We also regularly receive requests for advice from other audit institutions, public bodies and academics. In 2024/25, these included advice on tracking public spending, secondments and designing accessible reports from audit bodies in Malaysia, New Zealand and Austria among others, and a Japanese university professor researching UK public audit.

5

Making a difference

Reaching people about the issues that affect them



For public audit to have an impact, we need to ensure that people, communities and organisations hear and understand our messages.

This starts with identifying and understanding our audiences and how best to reach them. These can include service users with specific needs, service deliverers, and the public and policymakers.

To effectively reach and inform the disparate audiences for our [performance audit on tackling digital exclusion](#), we produced a range of outputs alongside our media, political and social media engagement:

- [a report](#) for policymakers and public servants
- [a video](#) of one mother's experiences for the public
- [a poster](#) for libraries and other council facilities for people who are digitally excluded

- [an Easy Read summary](#) for people with neurodiverse conditions or English as a second language
- [guidance](#) on how to enable digital inclusion and [a bank of resources](#) for public bodies
- and [a news release](#) and graphics for the media.

We collaborate when appropriate. After working with our youth advisory panel for our [alcohol and drug services report](#), we supported them to produce [a short film](#) on a youth-led approach to prevention aimed at other young people and policymakers.

We also continued to develop our interactive data tools to enable stakeholders to interrogate information in the ways that suit them. We produced bespoke interactive tools for our [sustainable transport report](#) and our update on [integration joint boards' finances](#). We will continue to refine our interactive approach over coming years.

Our finances

Financial overview

Expenditure

£24.0
million

Expenditure on
people costs

£9.4
million

Fees and expenses
paid to firms

£5.1
million

Other operating
expenditure

£(1.6)
million

Net finance income
incl. Corporation Tax

£0.3
million

Capital expenditure

£0.1
million

RoU Leases Capital

Fees and funding

£25.7
million

Audit fees and
other income

£11.6
million

Scottish Parliament
funding



Sources of funding

The Public Finance and Accountability (Scotland) Act 2000 allows us to make reasonable charges to audited bodies in respect of the exercise of our functions. We must seek to ensure that, taking one year with another, the charges for certain types of work are broadly equivalent to expenditure. Where we cannot charge directly for the audit work, costs are met from the Scottish Consolidated Fund.

Review of financial performance

We are required to produce annual accounts detailing the resources acquired, held or disposed of during the financial year and the way in which they were used. The Auditor General for Scotland has been appointed as Accountable Officer and is responsible for the preparation of these accounts. The following sections provide a summary from the accounts. The financial statements are published from [page 63](#).

Resource outturn

Our year in figures	Note	2024/25			2023/24
		Actual £000	Budget £000	Variance £000	Actual £000
People costs	Staff Report	24,019	24,588	569	22,355
Fees and expenses paid to external firms	4	9,396	7,737	(1,659)	8,147
Other operating expenditure	4	5,078	4,993	(85)	4,564
Total operating expenditure		38,493	37,318	(1,175)	35,066
Operating income	5	(25,707)	(24,544)	1,163	(23,375)
Net operating expenditure		12,786	12,774	12	11,691
Net finance expenditure/(income)	6	(1,591)	232	1,823	(1,693)
Corporation Tax payable		9	-	(9)	13
Net expenditure after tax		11,204	13,006	1,802	10,011
Capital expenditure	7 and 8	298	300	2	247
RoU Leases Capital	15	127	283	156	4,930
Total resource required from Parliament		11,629	13,589	1,960	15,188

Net expenditure after tax

In 2024/25, Audit Scotland spent £38.5 million on services for the Auditor General and the Accounts Commission. Of this, £25.7 million was recovered through charges to audited bodies and other income. The balance was met by net finance income of £1.6 million and £11.2 million of Scottish Parliament direct funding. The Parliament also directly funded the £0.3 million capital investment programme and the £0.1 million required to meet non-cash capital on leases.

Our 2024/25 budget proposal was approved with a target of £1.4 million in efficiency savings. The actual saving against the budget in the year was £1.5 million (3.9 per cent), with the final operational outturn being a £0.1 million underspend. Most savings came from staff costs, travel and subsistence. The financial year remained extremely challenging with wider fiscal constraints affecting our organisation as with all public bodies.

There was no requirement for additional 2024/25 Spring Budget Revision (SBR) funding. The actual adjustment in the accounts for pensions in 2024/25 was a credit of £1.7 million.

People costs represent 63 per cent of Audit Scotland's total operating expenditure, with the year-end position being £0.6 million under budget. Staff salaries and on-costs were £0.8 million less than budget. This was mainly due to forward planning of vacancy management in the knowledge that we were increasing our vacancy target in the 2025/26 budget from two per cent to five per cent. Agency staff costs were £0.2 million more than budget. This support was required to cover for vacant posts as well as to provide expertise for specific projects.

Fees and expenses paid to firms was £1.7 million more than budget. This is due to additional work being undertaken and the recognition of costs to complete prior year audit work. Additional fee income covered the increase in costs paid to the firms. This income came from additional work the firms had to do due to a significant number of adjustments, discrepancies in the application of accounting standards, and delays in the availability of working papers.

Other operating expenditure was £0.1 million more than budget, mainly due to the additional resources and external support required on the audit modernisation, estates and resourcing system projects. This additional expenditure was reduced by savings in training, travel and subsistence.

Operating income was £1.2 million more than budget. This is due to the recognition of unbudgeted prior audit year fee income and additional fees.

Capital expenditure

In addition to a net revenue expenditure budget, Audit Scotland receives a capital budget to purchase assets that have a use beyond one year.

The original budget for 2024/25 of £0.2 million was planned to be used to deliver our commitment to invest in office infrastructure. In the 2024/25 SBR, we transferred revenue budget of £0.1 million to increase our capital budget to £0.3 million. During the year, we spent £0.27 million on building work to fit out our Glasgow office.

The balance was used to purchase IT hardware as part of our laptop replacement programme.

RoU Leases capital

Under the lease standard IFRS 16, there is a non-cash capital funding requirement on initial recognition of the total obligations under leases. Audit Scotland leases offices in Edinburgh, Glasgow and Inverness, and also operates a car lease scheme for eligible employees.

The non-cash capital expenditure in 2024/25 of £0.1 million was for car lease renewals and was £0.1 million less than budget.

Resources required for 2025/26

The 2025/26 budget has been approved by the Scottish Parliament with revenue resources totalling £39.8 million. Of these, £25.0 million will be recovered through charges to audited bodies and miscellaneous income. The £14.8 million balance will be met from direct Scottish Parliament funding. A capital resource of £0.2 million will also be provided by the Scottish Parliament.

Stephen Boyle

Stephen Boyle
Accountable Officer
9 June 2025

Accountability report

In this section of the report we set out:

- Our Corporate governance report, including the:
 - Directors' report
 - Statement of Accountable Officer's responsibilities
 - Governance statement
 - Governance framework
- Remuneration and staff report
- Independent auditors' report



Corporate Governance Report

Directors' report

Directors

The directors of Audit Scotland are the Executive Team and non-executive board members whose details are set out in the [Governance statement](#).

Register of interests

Executive Team and board members must complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities and no member of the board had any other related party interests which conflicted with their responsibilities.

Auditor of Audit Scotland

Our accounts must, under Section 19 of the Public Finance and Accountability (Scotland) Act 2000, be sent to the Scottish Commission for Public Audit (SCPA) for auditing. The SCPA appointed Alexander Sloan Accountants and Business Advisers as external auditors for a period of four years starting with the year to 31 March 2022.

Statement of Accountable Officer's responsibilities

Under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Audit Scotland is required to prepare resource accounts for each financial year, in conformity with the direction of Scottish ministers, detailing the resources acquired, held, or disposed of during the year and the use of resources by Audit Scotland during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Audit Scotland, the net resource outturn, comprehensive net expenditure, cash flows and movement in taxpayers' equity for the financial year.

The SCPA has appointed the Auditor General for Scotland as Accountable Officer for Audit Scotland, with responsibility for preparing the accounts of Audit Scotland and for submitting them for audit to the SCPA.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and has:

- observed the accounts direction including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- made judgements and estimates on a reasonable basis
- stated whether applicable accounting standards, as set out in the FReM, have been followed; and disclosed and explained any material departures in the accounts
- prepared accounts on a going concern basis.

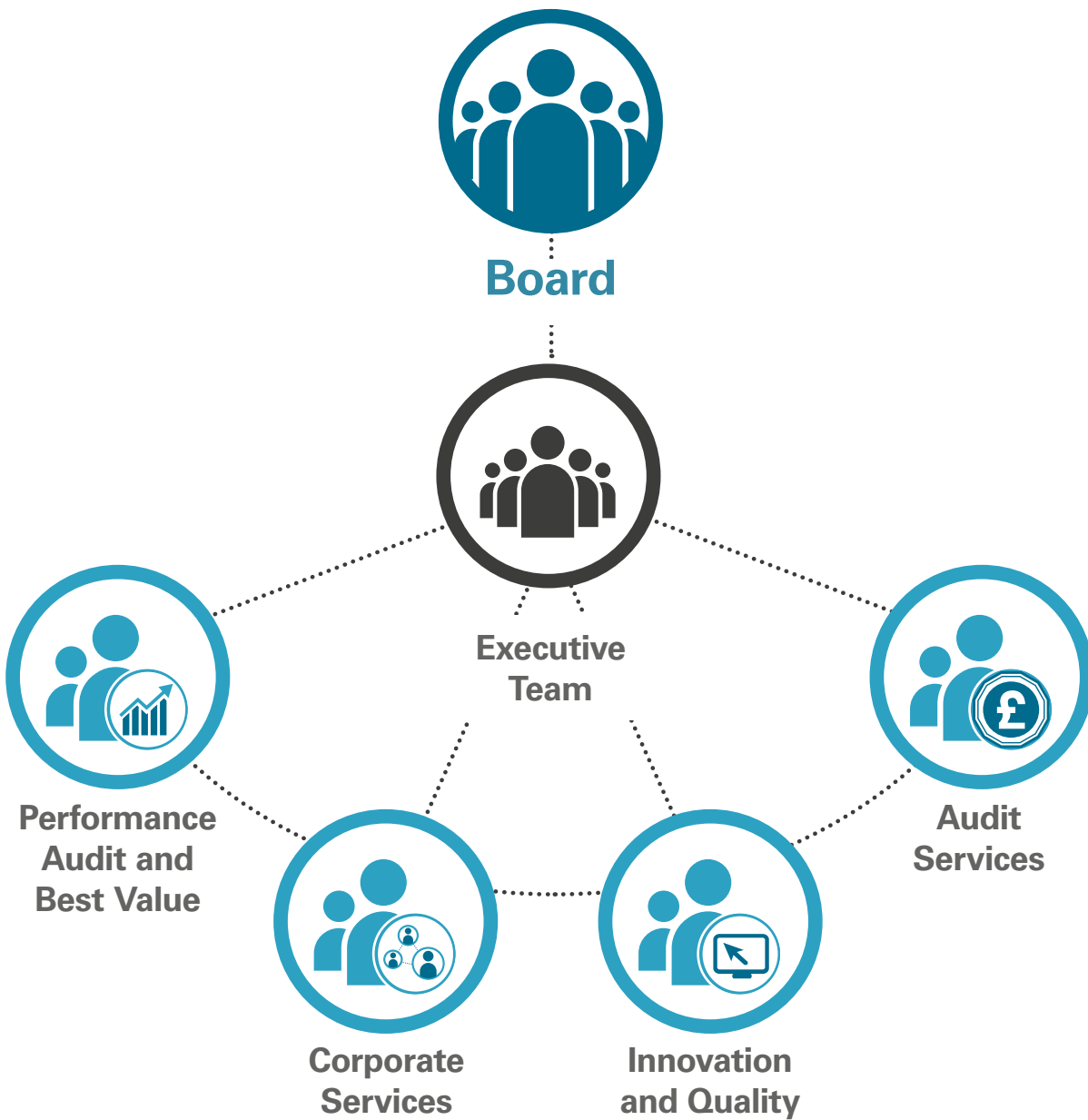
The Accountable Officer confirms that so far as he is aware there is no relevant audit information of which Audit Scotland's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Audit Scotland's auditors are aware of that information.

The Accountable Officer confirms that this annual report and accounts taken as a whole is fair, balanced and understandable. The Accountable Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of the Accountable Officer (including the propriety and regularity of the public finances) for keeping proper records and for safeguarding assets are set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).

Governance statement

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Audit Scotland's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to Audit Scotland, in accordance with the responsibilities set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).



Board members



Colin Crosby

Independent non-executive member and Chair of the Audit Committee



Jo Armstrong

Chair of the Accounts Commission



Stephen Boyle

Auditor General for Scotland and Accountable Officer for Audit Scotland



Jackie Mann

Independent non-executive member and Chair of the Human Resources and Remuneration Committee



Patrick Bartlett

Independent non-executive member and Chair of the Audit Committee (Mr Bartlett joined the board in January 2025)

*Professor Alan Alexander OBE was chair of the board until the end of his term in September 2024

The board

The Audit Scotland Board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.

The board is made up of the Auditor General, the chair of the Accounts Commission and three independent non-executive members appointed by the SCPA. The chair of the board and the board's committees are non-executive members.

Our board sets and monitors the strategic direction of Audit Scotland, oversees Audit Scotland's work and sets high standards of governance and management:

- The board meets in public and board papers are available on our [website](#).
- The board reviews the quality of board reports and the effectiveness of its meetings as a standing item at every meeting.

Giving something back

Supporting the board members of the future

In January 2025, Dr Catherine Maclean joined Audit Scotland as our first Boardroom apprentice, under a national programme to train future public sector board members.

Catherine is a consultant in acute medicine at NHS Lanarkshire with more than 20 years of experience in healthcare in Scotland.

Catherine joined our board for 12 months as part of the UK-wide [Boardroom apprentice](#) initiative. The programme places people who want to serve on public or third sector boards with organisations to learn and gain experience. The programme aims to help people from a wider diversity of backgrounds contribute to the UK's boards.

While Catherine attends all meetings, she does not have voting rights. See our website for [more information](#).



Dr Catherine Maclean
Boardroom apprentice

Board committees

The board has two standing committees:

Audit committee

This committee oversees the arrangements for corporate governance, internal control, audit quality, risk and financial management and internal and external audit. This includes reviews of the Standing Orders, Scheme of Delegation, the Financial Regulations and the annual accounts. The audit committee submits an Annual Statement of Assurance to the board.

The audit committee comprises Patrick Bartlett (chair from January 2025), Jo Armstrong and Jackie Mann. Colin Crosby was chair until October 2024. Jackie Mann chaired the committee's November meeting.

The committee appoints the internal auditors and approves the internal audit plan. Internal audit services are provided by an external firm. Following a procurement process, Wbg (formerly Wylie & Bisset) were appointed in April 2022. Six of the seven audits in 2024/25 achieved a 'strong' rating (the highest assurance rating available), while the remaining audit received a 'substantial' rating. Across the audits there were 16 recommendations, of which 14 were of low priority and two of medium priority.

Remuneration and human resources committee

This committee sets and reviews the salaries of senior staff (excluding the Auditor General, whose salary is agreed by the Scottish Parliamentary Corporate Body) and the main terms and conditions for all staff. The committee takes advice from external advisors as required.

The committee comprises Jackie Mann (chair), Jo Armstrong, Colin Crosby, Patrick Bartlett and Stephen Boyle. Alan Alexander was a member until his term as chair ended in September 2024.

Attendance during 2024/25¹:

During 2024/25:

- the Board held five ordinary meetings and two extraordinary meetings
- the Audit Committee held five ordinary meetings and one extraordinary meeting
- the Remuneration and Human Resources Committee held three ordinary meetings and one extraordinary meeting.

The figures below record all attendances. They show the number of meetings each member attended compared to the number held while each member was in post (eg, Patrick Bartlett was in post for one Board meeting, which he attended).

Committee ¹	Colin Crosby	Stephen Boyle	Jo Armstrong	Jackie Mann	Patrick Bartlett ²	Alan Alexander ³
Board (7)	7/7	7/7	7/7	7/7	1/1	5/5
Audit committee (6)	5/5	-	6/6	6/6	1/1	-
Remuneration and human resources committee (4)	4/4	4/4	4/4	4/4	1/1	2/2

Notes:

1. Board members who are not formal members of the Audit Committee and the Remuneration and Human Resources Committee attend as observers. Our board apprentice Catherine Maclean attends meetings, however she does not appear above as she is not a formal decision-maker.
2. Mr Bartlett joined the board in January 2025.
3. Professor Alexander's term as chair ended in September 2024.

Executive team

Audit Scotland's Executive Team oversees the day-to-day operations of Audit Scotland's work, with each member taking responsibility for a specific area.

During 2024/25, the Executive Team was made up of the Auditor General for Scotland, who is the Accountable Officer, the Chief Operating Officer, the Controller of Audit and three executive directors. It normally meets on a weekly basis, takes business decisions and considers regular reports from managers on the progress towards meeting the organisation's objectives.

Parliamentary accountability

Audit Scotland is held to account by the Parliament through statutory arrangements put in place by the Scotland Act 1998 and through the Public Finance and Accountability (Scotland) Act 2000.

Our spending and use of resources are examined by the SCPA, a statutory body comprising five MSPs which meets in public and reports to the Parliament.

The SCPA appoints our non-executive board members and chair, scrutinises our budget, annual report and accounts, and produces reports on these. It appoints our external auditors, currently Alexander Sloan LLP Accountants and Business Advisers.

In considering the 2025/26 [budget proposal](#), the SCPA explored a number of areas including the impact of the 35-week on productivity, our vacancy factor, audit modernisation, increased National Insurance costs, and the potential of private firms moving out of the public audit market.

The SCPA supported the 2025/26 budget proposal in principle and submitted it to the Finance Committee. The SCPA's report said it understood why audit modernisation and increased National Insurance costs needed to be funded by the Parliament, but expected these to be recovered through fees in future. It also said the Commission was 'encouraged' by our 'positive' response to its requests for additional evidence on how we have achieved efficiency savings.

Governance framework

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. The systems seek to identify the principal risks to the achievement of Audit Scotland's policies, aims and objectives. They are designed to manage rather than eliminate the risk of failure and they follow the guidance to public bodies as set out in the Scottish Public Finance Manual.

Risk management and control

The board sets the strategic direction for Audit Scotland in consultation with the Auditor General and the Accounts Commission.

The board's audit committee has responsibilities for risk, control, assurance, audit quality and governance. The committee recommends the appointment of our internal auditors and receives our annual accounts and internal and external audit reports.

We have a [Risk Management Framework](#) which sets out how we manage risk within the organisation. Included within the Framework is how we use the corporate and other risk registers. We use the risk register to record the key risks facing the organisation, analyse the likelihood and impact of the risk crystallising, and capture the active and monitoring controls in place and the ways in which the risk is monitored. The register also identifies any actions required to further reduce the risk. The risks are aligned to our strategic objectives and many of the mitigating actions form part of our strategic improvement programme.

The risk register is reviewed regularly by the Executive Team and by the Audit Committee.

At the operational level, risks are managed by relevant business groups. Information risk is managed by the Corporate Information Governance Management Group.

The corporate risk register, as at March 2025, records key strategic risks for action and attention relating to our capacity to protect against cyber and information security threats and to recover from a successful cyber-attack, maintaining audit quality and sustainability in audit delivery, maintaining our organisational capacity and staff health, safety and wellbeing, demonstrating efficiency and value for money, promoting innovation and implementing our audit modernisation project, maintaining private sector interest in the public sector audit market, and delivering the current operational and financial plans.

Many of the risks are interlinked; for example, risks to cyber security could have an impact on audit delivery.

Information security

Highly-effective digital services are essential to our business. We continue to enhance our digital services, systems and devices, ensuring that we have resilient and high-quality systems to support our audit work.

Our Digital Services Strategy 2021-24 focused on three objectives: cyber security; providing a virtual business; and digital transformation. Our new Digital Services Strategy 2025-28 is due to be published in June 2025. It will expand on these objectives and focus on how AI and better collaboration can deliver efficiencies while increasing the effectiveness of our audit work.

We have privileged access to information to support our audit function and ensure that reports to the Parliament and the Accounts Commission are factual, accurate, and complete. Audit Scotland must ensure this privileged information is properly safeguarded. We maintain ISO 27001 certification for our information security and cyber resilience frameworks.

Information security and data protection training is part of our induction process, and all staff must complete monthly cyber security training and follow data protection updates. Cyber resilience features prominently in our risk registers, is a standing item for our Information Governance and Management Group, and is reported to our executive team and the audit committee every six months.

There have been no incidents of personal data loss in 2024/25 which required to be notified to the Information Commissioner.

Fraud, corruption and bribery

Audit Scotland has policies and procedures on fraud, corruption and bribery and these are reviewed and updated on a regular basis. They include the counter-fraud policy; the staff and members' codes of conduct; the annual 'fit and proper review' (which covers every member of staff); the terms and conditions for the supply of goods and services; and the broader financial governance arrangements.

Audit Scotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI). We include data on our staff as part of the NFI exercise.

We maintain a hospitality and gifts register, which is updated regularly and published on our website.

We produce annual reports on fraud and bribery and hospitality and gifts. These are considered by the audit committee and this forms part of the

annual assurance process. The 2024/25 reports confirms that there were no instances of fraud or bribery identified or detected in Audit Scotland this year.

Review of effectiveness of internal control and risk management

The systems of internal control are designed to evaluate the nature and extent of any risks and to manage them efficiently, effectively and economically.

The systems are based on a framework of regular management information, administrative procedures and a system of delegation and accountability. This includes:

- detailed budgeting processes with an annual budget approved by the board
- regular reviews by the board and the management team of financial reports covering progress towards financial targets
- annual reviews and updates to Standing Orders, Scheme of Delegation and Financial Regulations
- quarterly reviews of the corporate risk register
- risk workshops/ 'deep dives' into specific risks
- the programme of internal and external audits.

The systems are designed to manage rather than eliminate the risk of failure to achieve Audit Scotland's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system has been in place for the year ended 31 March 2025 and up to the date of approval of the annual report and accounts.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and risk management arrangements. My review is informed by:

- an assurance framework established in accordance with the Scottish Public Finance Manual that provides certificates of assurance from executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their delegated areas
- the work of the internal auditors, which is directed through an audit plan agreed by the audit committee and focuses on areas of identified risks to our controls. The internal auditors submit regular reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement

- quarterly reviews by the audit committee of the organisation's corporate risk register and the work of internal audit in assessing the effectiveness of risk management arrangements
- comments made by the external auditors in their management letters and other reports.

Significant issues

During the financial year to 31 March 2025 and to the date of this statement no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

Remuneration and staff report

Remuneration policy

The Auditor General for Scotland

The Auditor General for Scotland is not an employee of Audit Scotland. He is a Crown appointment following nomination by Parliament. His appointment is for a fixed term of eight years from 1 July 2020 and his salary is determined by the Scottish Parliamentary Corporate Body.

Audit Scotland Board

Under the provisions of Schedule 2 of the Public Finance and Accountability (Scotland) 2000 Act, the Auditor General and the chair of the Accounts Commission are not entitled to any remuneration in respect of their membership of the Audit Scotland Board.

The Audit Scotland Board has three independent members including the chair of the board. The annual remuneration for independent members of the board is set by the Scottish Commission for Public Audit (SCPA). All independent board member appointments are part-time and non-pensionable. Independent board member remuneration was:

Remuneration banding (audited) ¹	2024/25 £000	2023/24 £000
Chair – Colin Crosby ²	10 - 15	5 - 10
Chair – Alan Alexander ³	5 - 10	10 - 15
Independent board member – Jackie Mann	5 - 10	5 - 10
Independent board member – Patrick Bartlett ⁴	0 - 5	-

Notes:

1. Catherine Maclean joined the board as an apprentice in January 2025. She does not receive remuneration, but does receive expenses.
2. Mr Crosby's term as chair started on 4 October 2024. Full year equivalent remuneration £15k - £20k as Chair and £5k - £10k as independent board member.
3. Professor Alexander's term as chair ended on 3 October 2024. Full year equivalent remuneration £15 - £20k.
4. Mr Bartlett joined the board on 22 January 2025. Full year equivalent remuneration £5k - £10k.

Accounts Commission for Scotland

Members of the Accounts Commission are appointed by Scottish ministers, who also set their remuneration. Commission members are not employed by Audit Scotland. Detail of their remuneration is not required under the policy outlined in the FReM, but we include the following details for information and transparency.

All Commission member appointments are part-time and non-pensionable. The average number of members of the Commission throughout the period was 12 (12 in 2023/24). The total amount of remuneration to Commission members in 2024/25 was £185k. They were remunerated in the following bands:

Remuneration banding (audited)	2024/25 £000	2023/24 £000
Chair – Jo Armstrong ¹	45 - 50	5 - 10
Deputy Chair – Andrew Burns ²	15 - 20	-
Commission Members (10)	5 - 10	5 - 10
Interim Chair – Ronnie Hinds ³	-	30 - 35
Chair – William Moyes ⁴	-	0 - 5
Deputy Chair – Tim McKay ⁵	-	5 - 10

Notes:

1. Ms Armstrong joined the Commission on 1 February 2024. Full year equivalent remuneration in 2023/24 £45k - £50k.
2. Mr Burns was appointed deputy chair on 1 April 2024. During 2023/24 he was a member.
3. Mr Hinds was interim chair from 1 June 2023 to 31 January 2024. Full year equivalent remuneration £45k - £50k.
4. Dr Moyes was chair until 5 May 2023. Full year equivalent remuneration £45k - £50k.
5. Mr McKay was deputy chair until 31 October 2023. Full year equivalent remuneration £15k - £20k.

Audit Scotland staff remuneration

Audit Scotland has a remuneration and human resources committee that sets the remuneration and terms and conditions of employment of Audit Scotland staff. Levels of remuneration are set at an appropriate level to recruit, retain and motivate able, qualified and high-calibre people within our budget.

Executive Team



Stephen Boyle

Auditor General for
Scotland and Accountable
Officer for Audit Scotland



Vicki Bibby

Chief Operating Officer



John Cornett

Executive Director of
Audit Services



Alison Cumming

Executive Director of
Performance Audit and
Best Value (from
9 September 2024)



Kenneth Oliver

Executive Director of
Innovation and Quality



Helena Gray

Controller of Audit
(from April 2023)

The salaries (excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the executive team are shown in the following tables. Information is presented for the whole year to 31 March 2025. Further information on the pensions payable to Audit Scotland staff, including senior management, can be found in [Note 3. Pension assets and liabilities \(page 73\)](#).

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Single total remuneration (Audited)	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	Salary £000	Salary £000	Benefit in kind £	Benefit in kind £	Pension Benefit ¹ £000	Pension Benefit ¹ £000	Total £000	Total £000
Stephen Boyle Auditor General for Scotland	175 – 180	160 – 165	-	-	68	63	240 – 245	225 – 230
Vicki Bibby Chief Operating Officer	145 –150	135 – 140	-	-	63	30	210 – 215	165 – 170
John Cornett Executive Director of Audit Services	135 – 140	125 – 130	-	-	44	27	180 – 185	155 – 160
Alison Cumming² Executive Director of Performance Audit and Best Value (from 9 September 2024)	70 – 75	-	-	-	-	-	70 – 75	-
Helena Gray Controller of Audit	130 – 135	125 – 130	-	-	107	-	240 – 245	125 – 130

Kenneth Oliver Executive Director of Innovation and Quality	130 – 135	125 – 130	-	-	147	-	280 – 285	125 – 130
Antony Clark³ Executive Director of Performance Audit and Best Value (until 3 September 2024)	55 – 60	125 – 130	-	-	-	13	55 – 60	140 – 145

Notes:

1. The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation (4.1 per cent) and are net of contributions made by the individual. This figure can be significant in year one for new members of the Executive Team with prior service in the scheme.
2. 2024/25 full year equivalent salary £125,000 to £130,000.
3. 2024/25 full year equivalent salary £135,000 to £140,000.

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Pensions (Audited)	Accrued pension at 31 March 2025 £000	Accrued lump sum at 31 March 2025 £000	Real increase in annual pension £000	Real increase in lump sum £000	CETV at 31 March 2025 ¹ £000	CETV at 31 March 2024 ¹ £000	Real increase in CETV ¹ £000
Stephen Boyle Auditor General for Scotland	15 – 20	-	2.5 – 5.0	-	183	131	24
Vicki Bibby Chief Operating Officer	35 – 40	20 – 25	2.5 – 5.0	0.0 – 2.5	587	508	64
Alison Cumming² Executive Director of Performance Audit and Best Value (from 9 September 2024)	-	-	-	-	17	-	10
John Cornett Executive Director of Audit Services	10 – 15	-	2.5 – 5.0	-	229	173	43
Helena Gray Controller of Audit	5 – 10	-	5.0 – 7.5	-	70	36	21
Kenneth Oliver Executive Director of Innovation and Quality	5 – 10	-	7.5 – 10.0	-	95	57	25
Antony Clark Executive Director of Performance Audit and Best Value (until 3 September 2024)	-	-	-	-	-	767	-

Notes:

1. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the scheme including any benefit transferred from another scheme and not just their service in a senior capacity to which the disclosure applies. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension benefits due to inflation, contributions paid by the employee and uses common market valuation factors for the start and end of the period.

2. No pension benefits payable with less than two years' service.

Fair pay disclosure (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions or the CETV of pensions.

	2024/25	2023/24
Remuneration banding for highest paid individual	£175,000 - £180,000	£165,000 - £170,000
Percentage change from previous financial year for highest paid individual	+6.0%	+8.0%
Average percentage change from previous financial year for employees	+2.5%	+5.6%
Lower quartile remuneration	£36,370	£37,238
Lower quartile ratio	4.9	4.5
Median remuneration	£51,058	£50,304
Median ratio	3.5	3.3
Upper quartile remuneration	£62,820	£60,877
Upper quartile ratio	2.8	2.8
Remuneration range	£25,000 - £175,000 to £180,000	£22,500 - £165,000 to £170,000

The percentage increase in the remuneration of the highest paid individual and the average change for employees includes the impact of incremental progression and the cost of living pay award.

The Auditor General is the highest paid individual. He is not an Audit Scotland employee. He is a Crown appointment and his salary is set by the Scottish Parliamentary Corporate Body, not Audit Scotland.

The pay settlement for 2024/25 was 4.2 per cent across the organisation. However, the movement from 2023/24 of the average percentage change for employees, lower quartile remuneration and lower quartile ratio disclosed above is due to our policy to increase the number of trainees, modern apprentices and student placements. The impact of this leads to a lower increase in average pay, with the increase in employees at the lower pay scale bringing the average salary down from the previous year even though the pay settlement was the same for all employees.

Audit Scotland has a consistent pay, reward and progression policy for all its employees which is reflected in the movement in remuneration and ratios for the median and upper quartile.

Pensions

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland makes payments of superannuation contributions to PCSPS at rates set by the Government Actuary.

All other staff are eligible to enter the Local Government Superannuation Scheme in Scotland. Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Superannuation Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

Employment contracts

Audit Scotland staff hold permanent appointments which are open-ended until they retire. Early termination, other than through misconduct, would result in the individual receiving compensation.

Staff report

	2024/25	2023/24	2022/23
People (WTE)	345	331	328
Gender	Female 55% Male 45%	Female 57% Male 43%	Female 54% Male 46%
Board	Female 40% Male 60%	Female 40% Male 60%	Female 20% Male 80%
Executive team	Female 50% Male 50%	Female 33% Male 67%	Female 20% Male 80%
Absence	6.54 days	6.01 days	4.66 days
Turnover rate	10.09%	9.33%	9.02%
Trainee auditors	57	49	48

In recent years we have bolstered our quality and professional development capacity.

In 2024/25, we revamped our recruitment approach, introducing a recruitment board to review all recruitment requests. We are also moving our vacancy factor from two to five per cent. We ended our career development gateway programme as it was no longer appropriate. We introduced a revamped performance appraisal and development approach that aligns individual objectives with corporate priorities, and aids flexible deployment of resources.

People costs and numbers

	2024/25 £000	2023/24 £000
People costs		
Wages and salaries	18,263	16,859
Social Security costs	2,073	1,983
Superannuation	3,196	3,271
Temporary staff ¹	298	189
Movement in early retirement costs	(96)	17
Adjustment for retirement benefit scheme costs (see below)	100	(139)
	23,834	22,180

1. Equivalent to 5.08 WTE in 2024/25 and 3.33 WTE in 2023/24.

People costs	2024/25 £000	2023/24 £000
Accounts Commission members		
Fees	156	147
National Insurance	8	7
Travel and subsistence	21	21
	185	175
	24,019	22,355
Analysis of local government retirement benefit scheme costs		
	2024/25 £000	2023/24 £000
Current service costs	4,480	4,239
Past service costs	-	-
	4,480	4,239
Less: Actual employees' contributions	(1,277)	(1,205)
Charge to revenue	3,203	3,034
Employer contributions	(3,103)	(3,173)
Adjustment for retirement benefit scheme costs	100	(139)

Health and wellbeing

The wellbeing of our staff is fundamental to our organisation, and one of the five pillars of our People strategy 2024-28. In November, we published our Health, safety and wellbeing plan 2024-28. See Making a difference on [page 23](#).

Learning and development

Our People strategy will help us to look ahead at the skills that the future auditor will need and to consider the development of our target operating model in line with this.

We are committed to being innovative and creative about how we develop and support our people. Our Learning and development plan sets out the learning for colleagues based on our strategic priorities, areas identified through quality reviews and engagement with colleagues. The plan focuses on helping our colleagues to develop the right knowledge, skills and behaviours to deliver high-quality audits, equip them for the future and demonstrate Audit Scotland's values.

The plan expands mandatory learning to cover the increased demands within the audit profession, the role of managers and to protect time for learning. This provides the basis for colleagues to meet relevant continuous professional development requirements.

This is complemented by self-directed learning through our personal development process. This empowers colleagues to target their learning to individual professional needs, career aspirations and corporate objectives.

All planned learning is accessed through our learning management system, and a mix of in-person course and online modules tailored to each colleague's role and responsibilities. Each staff member received an average of 19.9 days training during 2024/25 (18.5 in 2023/24).

Organisational development

We are committed to organisational development and 'Developing our people and our business' and 'Insights driving innovation and improvement' are two of our five strategic objectives set out in our [Corporate plan 2023-28](#).

We have a strategic improvement plan in place and our development work is led and supported by our Innovation and Quality business group. Its mission includes leading organisational transformation and development, providing technical and professional expertise and a constructive quality monitoring process. This includes continually enhancing methodologies and best practice and the effective use of new technologies, delivering professional learning and development, and driving our role as system leader for public audit.

We have an excellent working relationship with the Public and Commercial Services (PCS) union. We work collaboratively with PCS and have successfully concluded negotiations in connection with pay. In 2024, we settled a two-year deal for both 2024/25 and 2025/26, giving staff assurance and early information about pay, and the organisation stability and clearer financial planning. We also involve PCS in a range of projects to improve the work experience of colleagues which focus upon how our work gets done.

Early retiral and severance (audited)

In the year to March 2025, no member of staff left under a voluntary early release arrangement.

Further disclosure on early retirement and severance is set out in Note 14. Provision for early retirement and severance ([page 84](#)).

Exit package cost band	2024/25	2023/24
£25,001 - £50,000	-	-
£50,001 - £100,000	-	1
£100,001 - £150,000	-	-
£150,000 +	-	-
Total costs disclosed in financial statements (£000)	-	75

Staff relations

We recognise the importance of good industrial relations and effective communication with our staff. A partnership forum between members of Audit Scotland management and staff representatives of the Public and Commercial Services union (PCS) meet regularly and has been in place since 2002.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and the information requirements of the Regulations for 2024/25 are disclosed in the following tables.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	11
Full-time equivalent employee number	10.68

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1% – 50%	11 ¹
51% – 99%	-
100%	-

1. The range of time the 11 employees each spent on trade union activities was 0.71 per cent to 12.45 per cent.

Percentage of pay bill spent on facility time

Total cost of facility time	£22,818.98
Total pay bill	£23,655,146
Percentage of total pay bill spent on facility time	0.1%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	3.3%
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Diversity, equality and inclusion

We actively strive to improve diversity and equality, not only in Audit Scotland but also across the public sector through our audit work.

Audit Scotland is committed to eliminating discrimination, and valuing and promoting equality, diversity and inclusion among our workforce. Through our partnership with Business in the Community, we have received support to develop a new DEI strategy, published in April 2025, as well as L&D support for colleagues, and support with benchmarking our progress.

We are actively working to increase the diversity of our workforce. Our policy is to treat all job applicants and employees equitably regardless of age, disability, sex, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation. More information is in our [Equality Outcomes report 2021-25](#). This details our commitments to increasing diversity, equality and inclusion, how we achieve this and how we will measure our performance. In October, we widened the range of DEI data we collect to include areas such as carer status and social mobility.

We published our eighth [Gender pay gap report](#) in September 2024, based on a snapshot at 31 March 2024. Our workforce of 341 full pay employees was made up of 194 women (56.89 per cent) and 147 men (43.1 per cent). This included 45 graduate trainees, comprising 23 women and 22 men.

At 31 March 2024, the pay gap between male and female staff was 3.76 per cent by mean average, and 2.6 per cent by median. This means that, on average, female staff were paid 97 pence for every £1 paid to male colleagues. We have narrowed the gap over recent years and will continue to address the reasons behind it. A factor may be a higher proportion of female colleagues working part-time; women comprise 80 per cent of our part-time workforce.

Audit Scotland has six diversity network groups, led by colleagues for colleagues. As well as providing support to colleagues, our networks engage with our leadership on a wide range of areas affecting staff and working practices. Our networks are: carers support group; disability confident group; LGBTQ+ network; managing menopause group; neurodiversity group; and REACH (race, ethnicity and cultural heritage) group.



Human rights

Human rights and equalities considerations are central to how we assess the delivery of public services. We integrate these from the outset of audits and projects and are committed to ensuring that the experience of service users is reflected in our auditing and reporting.

Our work and progress in human rights is shaped and overseen by our internal Equality and Human Rights Steering Group.

Ongoing engagement with stakeholders is invaluable in informing and challenging our approach. This includes working with our external [Equalities and Human Rights Advisory Group](#), which has representatives from 21 wide-ranging equality and human rights organisations.

Our [Mainstreaming Equality and Equality Outcomes 2019-21](#) outlines the progress we have made to date.

Giving something back

We are committed to conducting our work to the highest standards, building positive relationships with communities across Scotland and empowering our workforce to give back through volunteering and other activities.

In June 2024, we published our Social responsibility strategy 2024-28 alongside our new Volunteering policy. Our strategy sets out our pillars of: environmental; diversity, equality and inclusion; and communities. Our volunteering policy supports colleagues to volunteer or participate in fundraising or awareness-raising activities.

During 2024/25, ten colleagues took paid volunteer leave.

Independent auditors' report

To the Scottish Commission for Public Audit (under Section 25(3) of Public Finance and Accountability (Scotland) Act 2000).

Opinion

We have audited the accounts of Audit Scotland for the year ended 31 March 2025 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the UK, and as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM) and directions made by Scottish ministers.

In our opinion the accounts:

- give a true and fair view of the state of Audit Scotland as at 31 March 2025 and of its net resource outturn for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the UK as interpreted and adapted by the 2024/25 FReM
- have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish ministers issued thereunder.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of Audit Scotland in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the accountable officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Audit Scotland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the accountable officer with respect to going concern are described in the relevant sections of this report.

Other information in the annual accounts

The accountable officer is responsible for the other information. The other information comprises the information other than the accounts, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. As auditors we are not required to consider whether the Accountable Officer's Governance statement covers all risks and controls, nor are we required to form an opinion on the effectiveness of the risk and control procedures.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on regularity

In our opinion in all material respects:

- the expenditure has been incurred and the receipts have been applied in accordance with Section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the accounts were applied in accordance with Section 65 of the Scotland Act 1998.

Opinion on other matters

In our opinion:

- the sections of the Remuneration Report marked as audited have been properly prepared in accordance with the Direction by the Scottish ministers
- the information given in the Accountability report is consistent with the accounts.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Board and staff remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Accountable Officer's Governance statement contains any apparent misstatements or material inconsistencies with the accounts.

We have nothing to report in respect of these matters.

Responsibilities of the Accountable Officer

As explained more fully in the Statement of Accountable Officer's responsibilities, the Accountable Officer is responsible for the preparation of the accounts in conformity with the Direction by the Scottish ministers and for being satisfied that they give a true and fair view. The Accountable Officer is responsible for the propriety and regularity of the public finances, for keeping proper books and for safeguarding assets, as set out in the Accountable Officer's Memorandum.

In preparing the accounts, the Accountable Officer is responsible for assessing Audit Scotland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Audit Scotland plans to cease operations or has no realistic alternative to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to Audit Scotland through discussions with management, and from our wider knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of Audit Scotland, including The Financial Reporting Manual, Public Finance and Accountability (Scotland) Act 2000, Directions by Scottish ministers and other laws and regulations applicable to Audit Scotland. We also considered the risks of non-compliance with the other key legislation and we considered the extent to which non-compliance might have a material effect on the financial statements;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of Audit Scotland's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the Notes were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- attending audit committee meetings during the year and reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- enquiring of management as to whether there has been any legal correspondence.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the accountable officer and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our audit report.

Use of Our Report

The report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Sloan LLP

Alexander Sloan LLP

Accountants and Business Advisers
Edinburgh
9 June 2025

Financial statements

In this section of the report we set out:

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Changes in Taxpayers' Equity
- Notes to the accounts
- Direction by the Scottish ministers



Statement of Comprehensive Net Expenditure

Year ended 31 March 2025

	Note	2025 £000	2024 £000
People costs	Staff report	24,019	22,355
Fees and expenses paid to external firms	4	9,396	8,147
Other operating expenditure	4	5,078	4,564
Total operating expenditure		38,493	35,066
Operating income	5	(25,707)	(23,375)
Net operating expenditure		12,786	11,691
Net finance expenditure	6	(1,591)	(1,693)
Net expenditure before tax		11,195	9,998
Corporation Tax payable		9	13
Net expenditure after tax		11,204	10,011
Other comprehensive net expenditure			
Net losses/(gains) on pension schemes	3	1,743	1,880
Comprehensive Net Expenditure/(Income)		12,947	11,891

Statement of Financial Position

As at 31 March 2025

	Note	2025 £000	2024 £000
Non-current assets			
Property, plant and equipment	7	612	688
Intangible assets	8	45	86
Right-of-use assets	14	5,040	5,517
Total non-current assets		5,697	6,291
Current assets			
Trade and other receivables	9	4,026	4,045
Cash and cash equivalents	10	1,701	2,048
Total current assets		5,727	6,093
Total assets		11,424	12,384
Current liabilities			
Trade and other payables	12	6,675	7,150
Obligations under leases	14	255	391
Provision for early retirement and severance	13	126	116
Other provisions	15	-	120
Total current liabilities		7,056	7,777
Non-current assets plus / less net current assets/ liabilities		4,368	4,607

	Note	2025 £000	2024 £000
Non-current liabilities			
Obligations under leases	14	(5,213)	(5,278)
Provision for early retirement and severance	13	(1,138)	(1,311)
Other provisions	15	(760)	(755)
Net funded pension asset / (liability)	3	-	-
Total non-current liabilities		(7,111)	(7,344)
Assets less liabilities		(2,743)	(2,737)
Represented by:			
Taxpayers' equity			
Net funded pension asset / (liability)	3	-	-
General fund		(2,743)	(2,737)
		(2,743)	(2,737)

Stephen Boyle

Stephen Boyle

Auditor General and Accountable Officer

9 June 2025

Statement of Cash Flows

As at 31 March 2025

	Note	2025 £000	2024 £000
Cash flows from operating activities			
Net (expenditure) after tax		(11,204)	(10,011)
Adjustment for non-cash items:			
Depreciation	7, 8	415	380
Depreciation - right-of-use assets	14	567	617
Pension scheme - net revenue (credit) / debit		(1,743)	(1,880)
Decrease / (Increase) in trade and other receivables		19	(356)
(Decrease) / Increase in trade / other payables / deferred liabilities		(128)	538
(Decrease) in provisions for early retirement		(163)	(23)
(Decrease) in other provisions		(115)	(329)
Other non-cash items		-	-
Net cash outflow from operating activities		(12,352)	(11,064)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(298)	(230)
Purchase of intangible assets	8	0	(17)
		(298)	(247)
Cash flows from financing activities			
Capital payments of lease liabilities	14	(291)	(632)
From Consolidated Fund (Supply)		12,594	11,152
		12,303	10,520
Net (decrease) / increase in cash and cash equivalents in the period		(347)	(791)

	Note	2025 £000	2024 £000
Cash and cash equivalents at the beginning of period		2,048	2,839
Cash and cash equivalents at the end of period	10	1,701	2,048
Net cash requirement			
Cash flows from Consolidated Fund		12,594	11,152
Decrease in cash		347	791
		12,941	11,943

Statement of Changes in Taxpayers' Equity

As at 31 March 2025

	Note	Net funded pension £000	General fund £000	Total £000
Changes in Taxpayers' equity				
Balance at 31 March 2023		-	(2,789)	(2,789)
Transfers between reserves				
Transfer to net funded pension liabilities	Staff Report	139	(139)	-
Net return on funded pension assets	3	1,741	(1,741)	-
Net (losses) on pension schemes	3	(1,880)	-	(1,880)
Net (expenditure) after tax		-	(10,011)	(10,011)
Net funding from the Scottish Parliament	11	-	11,943	11,943
Balance at 31 March 2024		-	(2,737)	(2,737)
Transfers between reserves				
Transfer to net funded pension liabilities	Staff Report	(100)	100	-
Net return on funded pension assets	3	1,843	(1,843)	-
Net (losses) on pension schemes	3	(1,743)	-	(1,743)
Net (expenditure) after tax		-	(11,204)	(11,204)
Net funding from the Scottish Parliament	11	-	12,941	12,941
Balance at 31 March 2025		-	(2,743)	(2,743)

Notes to the accounts

1. Statement of accounting policies

The accounts have been prepared in accordance with the accounts direction issued by Scottish ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and also in accordance with the Financial Reporting Manual (FReM) applicable for the year. The accounting policies contained in the FReM apply UK adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Audit Scotland for the purpose of giving a true and fair view has been selected. The accounting policies adopted by Audit Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention. Figures are presented in pounds sterling and are rounded to the nearest £1,000. In accordance with the principles of resource accounting, the gross funding received from the Scottish Consolidated Fund is recorded directly within the General Fund and is not included in the operating income received in the year in the Statement of Comprehensive Net Expenditure.

In common with similar public bodies, the future financing of Audit Scotland's liabilities will be met by future grants of Supply and the application of future income, both to be approved annually by the Scottish Parliament. The approval of amounts for 2025/26 has already been given and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial accounts.

b) New accounting standards not yet effective

Audit Scotland disclose accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements. There is one standard not yet effective, IFRS 17 (Insurance Contracts).

IFRS 17 (Insurance Contracts) was issued in May 2017, replacing IFRS 4 Insurance Contracts, with the effective date of the standard in the public sector being 1 April 2025. IFRS 17 requires that insurance liabilities be measured at the present value of future cash flows, resulting in more uniform measurements and presentation for all insurance contracts.

Management has assessed the likely effect of the new standard and has concluded that there are no material assets or liabilities recognised as insurance contracts in Audit Scotland and this standard will have no impact on Audit Scotland's accounts.

c) Non-current assets

The minimum level of capitalisation for a non-current asset is £5,000 for individual or group purchases. Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held. All property occupied by Audit Scotland is leasehold.

d) Depreciation

Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over the estimated useful lives of assets. Asset cost is written off as follows:

Leasehold premises	remaining period of lease (from 1–15 years)
Furniture and fittings	5 years
Computer equipment	3 - 5 years
Software	3 - 5 years

e) Operating income

Operating income relates directly to the audit activities of Audit Scotland and income recognition is consistent with the principles of IFRS 15 Revenue from Contracts with Customers.

Operating income comprises fees for financial audit that are recognised on the basis of work undertaken for the year and charges for other work which are recognised evenly throughout the year.

f) Work in progress

Work in progress is valued on the basis of a proportion of the agreed auditor remuneration earned by the balance sheet date less an allowance for any foreseen losses. This calculation is based on an assessment of the amount of audit work completed by the balance sheet date as a proportion of the total expected amount of audit work. Payments made or received on account of work in progress in excess of or below the value of carrying out the relevant work are included in debtors or creditors as appropriate.

g) Leases

IFRS 16 requires Audit Scotland to recognise an asset in the Statement of Financial Position where under the contract it has exclusive right to use the asset (right-of-use assets). A corresponding lease liability is recognised at the same time. Recognition exemptions have been applied for short-term and low-value leases.

The definition of a lease under IFRS 16 has been applied to contracts entered into after the 1 April 2022. Upon lease commencement a right-of-use asset and lease liability are recognised.

At the commencement of a new, or extension of an existing, property lease Audit Scotland recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the payments for the remaining lease term, net of irrecoverable VAT, discounted by the rate implicit in the lease, or where this cannot be determined, the rate advised by HM Treasury for the calendar year.

In respect of new car leases the right-of-use asset and lease liability are measured at cost and not discounted as the difference is not material due to the short nature and annual payment in advance contractual arrangements.

The right-of-use asset is subsequently depreciated, in the same way as other assets of the same type, using a straight-line method from the commencement date over the lease term, which is equal to, or shorter than, the asset's useful life. The right-of-use asset will be periodically reviewed to account for any potential impairment losses and any material remeasurement of the lease liability.

h) Value Added Tax (VAT)

Input tax in respect of external auditor fees and expenses incurred in the delivery of local authority audits is reclaimed from HMRC on behalf of the Accounts Commission and is used to offset audit fees payable by local authorities. All other input tax is charged to the Statement of Comprehensive Net Expenditure. Audit Scotland is registered for VAT in respect of business activities.

i) Pension arrangements

Audit Scotland complies with the requirements of International Accounting Standard No 19 (IAS 19) for the year ended 31 March 2025. Audit Scotland makes pension provision for present and former employees through two pension schemes. Employees joining Audit Scotland after 1 April 2000, and those transferring to Audit Scotland from the Accounts Commission, have benefits provided through the Local Government Pension Scheme. Employees transferring to Audit Scotland at 1 April 2000 from the NAO are covered by the provisions of the Principal Civil Service Pension Scheme. The Auditor General for Scotland has benefits provided through the Principal Civil Service Pension Scheme.

j) Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a risk of adjustment to the carrying amount of assets and liabilities within the financial statements within the next financial year are:

- Revenue recognition is based on time charged to audits adjusted where applicable to reflect the stage at which completion of work is done. At the year-end an assessment is undertaken to consider the reasonableness of income recognised in the Statement of Comprehensive Net Expenditure. Income recognised in advance of invoices being raised is treated as Work in Progress ([see Note 9](#)). Invoices raised in advance of work being done is treated as Deferred Income ([see Note 12](#)).
- Provisions have been made where in the opinion of management it is more likely than not that a financial liability exists which cannot be accurately quantified at present ([see Notes 13 and 15](#)).
- Estimation of the net pension liability or asset is based on a number of complex judgements including the discount rate, salary increase rate, retirement ages, mortality rates and expected returns on pension fund assets, following work carried out by our actuaries. Further estimates consider the extent to which the IAS19 and IFRIC14 asset ceiling limits on defined benefits are applied based on the estimated present values of future service costs and minimum funding contributions. If these estimates project that minimum funding contributions will be in excess of future service costs then in accordance with IFRIC14 no pension asset will be recognised and an asset ceiling of Nil will be applied. Note 3 provides more detail on the movement in the net pension position.

2. People costs and numbers

More details on staff numbers and related costs can be found in the Staff Report on pages [51 to 52](#).

	2025 £000	2024 £000
Wages and salaries	18,738	17,216
Social Security and Employment Tax costs	2,081	1,990
Pension and Early Retirement / Severance Costs	3,200	3,149
	24,019	22,355

3. Pension assets and liabilities

In accordance with IAS 19, Audit Scotland is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Audit Scotland operates two main pension schemes; the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland is not required to record information related to the PCSPS as the scheme does not identify assets and liabilities by employer.

a) Local Government Pension Scheme

Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Superannuation Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

The following valuations have been provided by Hymans Robertson LLP, the independent actuaries to Lothian Pension Fund. The financial and actuarial assumptions used for the purposes of their IAS 19 calculations as at 31 March 2025 were as follows:

	2025	2024
Salary increases	3.45%	3.25%
Pension increases	2.75%	2.75%
Discount rate	5.80%	4.85%

The assumed average life expectancy for a retiral at age 65 are as follows:	Male	Female
	Years	Years
Current pensioners	21.9	24.0
Future pensioners	22.5	25.3

As at the date of the most recent valuations, the duration of the employer's funded obligation is 19 years.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations at 31 March 2025 have been prepared by Hymans Robertson LLP.

The movement in the funded part of the net pension position for the year to 31 March 2025 is as follows:

Period ending 31 March 2025

	Assets £000	Liabilities £000	IFRIC 14 Adjustment £000	Net (Liability) / Asset £000
Fair value of employer assets	155,106	-	-	155,106
Present value of funded liabilities	-	117,022	-	(117,022)
Net Asset restriction applied	-	-	(38,084)	(38,084)
Opening position as at 1 April 2024	155,106	117,022	(38,084)	-
Current service cost	-	3,203	-	(3,203)
Past service cost	-	-	-	-
Total service cost	-	3,203	-	(3,203)
Interest income on plan assets	7,546	-	-	7,546
Interest cost on defined benefit obligation	-	5,703	-	(5,703)
Total net interest	7,546	5,703	-	1,843
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	7,546	8,906	-	(1,360)
Employee contributions	1,277	1,277	-	-
Employer contributions	3,103	-	-	3,103
Benefits Paid	(3,173)	(3,173)	-	-
Total cashflows	1,207	(1,896)	-	3,103
Expected closing position	163,859	124,032	(38,084)	1,743
Change in demographic assumptions	-	(189)	-	189
Change in financial assumptions	-	(19,910)	-	19,910
Other experience changes	-	(974)	-	974
Return on assets excluding amounts included in net interest	(9,442)	-	-	(9,442)
Adjustment for IFRIC 14 Net asset reduction	-	-	(13,374)	(13,374)

Period ending 31 March 2025

	Assets £000	Liabilities £000	IFRIC 14 Adjustment £000	Net (Liability) / Asset £000
Total remeasurements recognised in Other Comprehensive Income	(9,442)	(21,073)	(13,374)	(1,743)
Fair value of employer assets	154,417	-	-	154,417
Present value of funded liabilities	-	102,959	-	(102,959)
Net Asset restriction applied	-	-	(51,458)	(51,458)
Closing position as at 31 March 2025	154,417	102,959	(51,458)	-

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC 14. As the estimated present value of minimum funding contributions exceed the estimated present value of future service costs, there is deemed to be no economic benefit and the asset ceiling is Nil. An adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC 14.

Information in respect of the defined benefit obligation

	Liability split	
	£000	%
Active members	49,869	48.4%
Deferred members	16,892	16.4%
Pensioner members	36,198	35.2%
Total	102,959	100.0%

Statement of Comprehensive Net Expenditure (SOCNE): The net credit to SOCNE of £1,743k is based on the financial conditions at the start of the year (i.e. assumptions as at last year's Accounting Date). The Current Service Cost and net interest cost for this year is broadly in line with the projections made at last year's Accounting Date. The projected charge to SOCNE for next year is likely to be lower than the charge for this year as a result of the higher net discount rate at the Accounting Date.

Return on assets: In the period to the Accounting Date, individual LGPS Fund investment performance percentage returns have typically been lower than assumed (compared to last year's accounting discount rate assumption). A lower than assumed investment return has led to

a negative adjustment of £9,442k in the 'Return on assets excluding amounts included in net interest' line within the Results Schedule.

Obligations: The remeasurements in the obligations roll-forward are split into three separate parts to differentiate between 'Changes in financial assumptions', 'Changes in demographic assumptions' and 'Other experience'.

- As at the Accounting Date, the net discount rate (discount rate net of CPI inflation) has increased significantly compared to last year, leading to the recognition of a gain on obligations of £19,910k in the Statement of financial position as at the Accounting Date. This is shown in the 'Changes in financial assumptions' within the schedule.
- Using a more up-to-date longevity improvement assumption at the Accounting Date leads to a small gain on obligations of £189k. The baseline longevity and all other demographic assumptions are now based on the 2023 funding valuation assumptions and the impact is employer specific.
- The 'Other experience' item captures a loss of £974k by applying the roll-forward approach to allow for actual experience over the period. This adjustment is a combination of two factors:
 - The gain (decrease in obligations) resulting from applying the actual Pensions Increase Order for April 2024 of 1.7% to the benefits, which is lower than the expected CPI assumption.
 - After subtracting the Pensions Increase Order monetary impact, the remainder of the 'Other experience' item will be in relation to unfunded obligations experience.

The movement in the funded part of the net pension liability for the year to 31 March 2024 was as follows:

Period ending 31 March 2024

	Assets £000	Liabilities £000	IFRIC 14 Adjustment £000	Net (Liability) / Asset £000
Fair value of employer assets	143,568	-	-	143,568
Present value of funded liabilities	-	107,069	-	(107,069)
Net Asset restriction applied	-	-	(36,499)	(36,499)
Opening position as at 1 April 2023	143,568	107,069	(36,499)	-
Current service cost	-	3,034	-	(3,034)
Past service cost	-	-	-	-
Total service cost	-	3,034	-	(3,034)
Interest income on plan assets	6,856	-	-	6,856
Interest cost on defined benefit obligation	-	5,115	-	(5,115)
Total net interest	6,856	5,115	-	1,741
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	6,856	8,149	-	(1,293)
Employee contributions	1,205	1,205	-	-
Employer contributions	3,173	-	-	3,173
Benefits Paid	(3,450)	(3,450)	-	-
Total cashflows	928	(2,245)	-	3,173
Expected closing position	151,352	112,973	(36,499)	1,880
Change in demographic assumptions	-	(7,575)	-	7,575
Change in financial assumptions	-	(1,095)	-	1,095
Other experience changes	(2,935)	12,719	-	(15,654)
Return on assets excluding amounts included in net interest	6,689	-	-	6,689
Adjustment for IFRIC 14 Net asset reduction	-	-	(1,585)	(1,585)
Total remeasurements recognised in Other Comprehensive Income	3,754	4,049	(1,585)	(1,880)

Period ending 31 March 2024

	Assets £000	Liabilities £000	IFRIC 14 Adjustment £000	Net (Liability) / Asset £000
Fair value of employer assets	155,106	-	-	155,106
Present value of funded liabilities	-	117,022	-	(117,022)
Net Asset restriction applied	-	-	(38,084)	(38,084)
Closing position as at 31 March 2024	155,106	117,022	(38,084)	-

Pension assets are valued at fair value, principally market value for investments, and consist of:

Asset Category	At 31 March 2025				At 31 March 2024			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Equity Securities:								
Consumer	18,255.2	-	18,255.2	12	18,319.6	-	18,319.6	12
Manufacturing	19,331.5	-	19,331.5	13	21,301.2	-	21,301.2	14
Energy and Utilities	7,678.9	-	7,678.9	5	8,426.1	-	8,426.1	5
Financial Institutions	8,826.1	-	8,826.1	6	9,132.1	-	9,132.1	6
Health and Care	9,382.8	-	9,382.8	6	10,023.0	-	10,023.0	6
Information Technology	5,761.5	4.6	5,766.1	4	7,689.9	-	7,689.9	5
Other	10,303.0	33.0	10,336.0	7	9,514.0	-	9,514.0	6
Debt Securities:								
Corporate Bonds (investment grade)	-	-	-	0	2,503.5	-	2,503.5	2
UK Government	26,616.3	-	26,616.3	17	20,851.1	-	20,851.1	13
Other	2,489.7	-	2,489.7	2	2,685.3	-	2,685.3	2

	At 31 March 2025				At 31 March 2024			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Private Equity:								
All	230.3	26,305.1	26,535.4	17	793.0	631.5	1,424.5	1
UK Property	951.3	5,869.4	6,820.7	4	-	7,926.0	7,926.0	5
Overseas Property	329.0	610.5	939.5	1	525.1	1.4	526.5	0
Investment funds and Unit trusts:								
Equities	-	-	-	0	-	-	-	0
Bonds	1,956.00	2,829.4	4,785.4	3	-	3,945.3	3,945.3	3
Commodities	-	-	-	0	-	1,718.7	1,718.7	1
Infrastructure	-	-	-	0	351.2	23,032.6	23,383.8	15
Derivatives:								
Foreign exchange	97.5	-	97.5	0	(24.6)	-	(24.6)	0
Cash and cash equivalents:								
All	6,555.9	-	6,555.9	4	5,760.0	-	5,760.0	4
Totals	118,765	35,652	154,417	100	117,851	37,256	155,106	100
Effect of Asset Ceiling			(51,458)				(38,084)	
Adjusted Total			102,959				117,022	

The sensitivities regarding the principal assumption used to measure the funded scheme liabilities are set out below:

	Approx. % increase to employer obligation	Approx. monetary amount £000
Sensitivity analysis at March 2025		
0.1% decrease in real discount rate	2%	2,018
1 year increase in member life expectancy	4%	4,118
0.1% increase in salary increase rate	0%	137
0.1% increase in pension increase rate	2%	1,936

During the year ended 31 March 2025, Audit Scotland's contribution to the pension fund represented 17.6% (2024 – 19.4%) of contributing employees' pensionable pay. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The latest triennial valuation undertaken by Hymans Robertson LLP as at 31 March 2023 recommended employers' contributions be set at 17.6% over the next three-year period from 2024/25 to 2026/27. The estimate for employer contributions in 2025/26 based on this rate will be approximately £3,097k.

b) PCSPS scheme

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland from 1 July 2012, have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS) and Civil Servant Other Pension Scheme (CSOPS). Audit Scotland makes payments of superannuation contributions at rates set by the Government Actuary.

The PCSPS and CSOPS - known as 'Alpha' - are unfunded multi-employer defined benefit schemes but Audit Scotland is unable to identify its share of the underlying assets and liabilities.

You can find more details of the scheme in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

During the year ended 31 March 2025, Audit Scotland paid an employer's contribution of £92k (2024 – £96k) into the PCSPS at the rate of 28.97% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2024/25 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Audit Scotland has been advised that employer's contributions in 2025/26 will remain at the one rate of 28.97%.

c) Early departure costs

Certain costs arising from the early retirement of staff are payable by Audit Scotland. These relate to the early payment of pensions which employers must make to the pension fund and severance costs.

4. Other operating expenditure

	£000	2025 £000	2024 £000
Fees and expenses to appointed audit firms:			
Local authorities	4,907		4,125
National Health Service bodies in Scotland	1,930		1,862
Further education colleges	605		342
Scottish Government and sponsored bodies	1,938		1,818
Additional audit costs	17		-
		9,396	8,147
Other:			
Rent and rates	350		307
Other accommodation costs	719		624
Travel and subsistence	122		82
Legal and other professional fees	991		531
Stationery and printing	72		120
Training	471		597
Staff recruitment	205		159
Communications (telephone, postage)	35		38
Insurance	132		125
Information technology	813		801
Internal Audit	29		25
External Audit - financial accounts	37		37
Other	121		121
Non-cash items:			
Depreciation - tangible assets (see note 7)	374		341
Depreciation - intangible assets (see note 8)	41		39
Depreciation - right-of-use assets (see note 14)	567		617
		5,078	4,564
		14,474	12,711

5. Operating income

	2025 £000	2024 £000
Fees and charges payable:		
- by Local authorities	16,397	14,412
- by National Health Service bodies in Scotland	4,293	4,164
- by Further education colleges	1,055	797
- by Scottish Government and sponsored bodies	3,936	4,003
- Rebate (See note 15)	14	-
	25,695	23,376
 Miscellaneous income	 12	 (1)
	25,707	23,375

Audit Scotland applies the requirements of IFRS 15 to income earned from fees and charges payable. There is no legal contract with audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income.

The performance obligations are satisfied over time rather than a point in time and Audit Scotland has a right to payment for performance completed to date.

Details on the contract asset (accrued income) calculation can be found in Note 1f). Payments received in advance of performance under the contract are recognised as a contract liability (payments on account). This is then recognised as revenue as the work is performed.

Fee income in the current period of £2,258k (2023/24 - £2,880k) was included in the opening contract liability (payment on account).

At 31 March 2025 forecast future income on audits still in progress is £17,454k (31 March 2024 - £17,543k). The typical audit cycle is a year and therefore we expect to recognise this income in 2025/26.

6. Net finance expenditure

	2025 £000	2024 £000
Interest income on pension scheme assets	7,546	6,856
Interest cost on pension scheme defined obligations	(5,769)	(5,181)
Interest cost on Right-of-use assets	(231)	(49)
Bank interest	45	67
	1,591	1,693

7. Property plant and equipment

Cost	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
At 1 April 2024	1,339	328	1,443	3,110
Reclassified in year	-	-	-	-
Additions	274	-	24	298
Disposals	-	-	(209)	(209)
At 31 March 2025	1,613	328	1,258	3,199
Depreciation				
At 1 April 2024	1,232	288	902	2,422
Charge for the year (note 4)	114	8	252	374
Depreciation on disposals	-	-	(209)	(209)
At 31 March 2025	1,346	296	945	2,587
Net Book Value				
At 31 March 2025	267	32	313	612
Analysis of asset financing				
Owned	267	32	313	612

Cost	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
Prior year				
At 1 April 2023	1,339	308	1,233	2,880
Reclassified in year	-	-	-	-
Additions	-	20	210	230
Disposals	-	-	-	-
At 31 March 2024	1,339	328	1,443	3,110
Depreciation				
At 1 April 2023	1,125	280	676	2,081
Charge for the year (note 4)	107	8	226	341
Disposals	-	-	-	-
At 31 March 2024	1,232	288	902	2,422
Net Book Value				
At 31 March 2024	107	40	541	688
Analysis of asset financing				
Owned	107	40	541	688

Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held.

8. Intangible assets

	Software	
	2025 £000	2024 £000
Cost		
At 1 April	208	191
Reclassified in year	-	-
Additions	-	17
Disposals for year	-	-
At 31 March	208	208
Depreciation		
At 1 April	122	83
Charge for the year (note 4)	41	39
Disposals for year	-	-
At 31 March	163	122
Net Book value at 31 March	45	86

9. Trade and other receivables

	2025 £000	2024 £000
Amounts falling due within one year:		
Trade receivables:		
Central Government bodies	258	102
Local authorities	1,245	276
NHS bodies in Scotland	289	889
Bodies external to government	-	-
	1,792	1,267
Work in progress in advance of billing	1,714	1,922
VAT	125	440
Prepayments	395	416
	4,026	4,045

There are no trade and other receivables due after one year.

10. Cash and cash equivalents

	2025 £000	2024 £000
Balance at 1 April	2,048	2,839
Net change in cash and cash equivalents	(347)	(791)
Balance at 31 March	1,701	2,048
The following balances at 31 March were held at:		
Commercial banks	1,701	2,048

11. Net funding from the Scottish Parliament

	2025 £000	2024 £000
Opening cash balance payable to the Consolidated Fund	2,048	2,839
Funding received from the Consolidated Fund	12,594	11,152
Closing cash balance payable to the Consolidated Fund	(1,701)	(2,048)
Net funding from the Scottish Parliament	12,941	11,943

12. Trade payables and other current liabilities

	2025 £000	2024 £000
Amounts falling due within one year:		
Trade payables:		
Central Government	-	-
Local authorities	10	-
NHS bodies in Scotland	-	-
Bodies external to government	1,268	506
	1,279	506
Cash balance payable to Consolidated Fund	1,701	2,048
Deferred income	2,258	2,880
VAT	-	60

	£000	2025 £000	2024 £000
Corporation Tax		9	13
Accruals		581	744
Staff benefits - untaken holidays		847	899
		6,675	7,150

The cash balance payable to the Scottish Consolidated Fund is based on accounting conventions adopted for resource-based accounting.

13. Provision for early retirement and severance

The provision represents the actuarially computed liabilities for early retirement added years, pension strain (early payment of pension) and severance liabilities. The movement during the year was as follows:

	2025 £000	2024 £000
Opening balance at 1 April	1,427	1,450
Additions	-	-
Utilised in year	(124)	(116)
Revaluation	(39)	93
Closing balance at 31 March	1,264	1,427
Payable within 1 year	126	116
Payable after 1 year	1,138	1,311
	1,264	1,427
Discount rate used	5.80%	4.85%

Former Local Government Ombudsmen

Prior to establishment of the Public Services Ombudsman's office, Audit Scotland provided support services including payroll and finance for the Scottish Local Government Ombudsman. The related liabilities were assumed to transfer to the new Ombudsman following the enactment of the Scottish Public Services Ombudsman Act 2002. However, following a review of the implementation of the Act it was determined that the liability for pensions of former Local Government Ombudsmen and their staff did not transfer to the new Ombudsman's office. Since 31 March 2007, Audit Scotland has recognised the pension liability for staff previously employed by the Scottish Local Government Ombudsman. The liability as at 31 March 2025 was £196k (31 March 2024 – £220k).

14. Leases

Right-of-use assets

Audit Scotland recognises a right-of-use asset upon lease commencement. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made before the commencement date, less incentives received.

At transition to IFRS 16 on 1 April 2022 the right-of-use assets were measured at an equal amount to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the term (which is equal to, or shorter than, the asset's useful life). The right-of-use asset will be periodically reviewed for impairment losses and adjustments on remeasurement of the lease liability.

Cost	Premises £000	Vehicles £000	Total £000
At 1 April 2024	5,939	686	6,625
Remeasurement of existing leases	(37)	-	(37)
Additions	-	127	127
Disposals	-	(169)	(169)
At 31 March 2025	5,902	644	6,546
Depreciation			
At 1 April 2024	861	247	1,108
Charge for the year	355	212	567
Depreciation on disposals	-	(169)	(169)
At 31 March 2025	1,216	290	1,506
Net book value			
At 31 March 2025	4,686	354	5,040
At 1 April 2023	1,317	542	1,859
Additions	4,622	308	4,930

Cost	Premises £000	Vehicles £000	Total £000
Disposals	-	(164)	(164)
At 31 March 2024	5,939	686	6,625
Depreciation			
At 1 April 2023	468	215	683
Charge for the year	393	224	617
Depreciation on disposals	-	(192)	(192)
At 31 March 2024	861	247	1,108
Net book value			
At 31 March 2024	5,078	439	5,517

Obligations under leases

On transition to IFRS 16 lease liabilities were measured at cost of the remaining lease payments at 1 April 2022.

The present value approach has been adopted to determine the lease obligations for our Edinburgh and Glasgow offices. Upon commencement of new car leases the liability is measured at cost of unpaid lease payments.

Periodic reviews of this approach will be undertaken and any remeasurement adjustments will be made as required.

	2025 £000	2024 £000
Premises		
Within one year	103	234
Later than one year and not later than five years	1,012	737
Later than five years	4,072	4,344
	5,187	5,315
Vehicles		
Within one year	152	157
Later than one year and not later than five years	129	197
	281	354

	2025 £000	2024 £000
Total lease obligations		
Within one year	255	391
Later than one year and not later than five years	1,141	934
Later than five years	4,072	4,344
	5,468	5,669

15. Other provisions

Other provisions comprise audit expenses rebate, rent review/contractual costs and property dilapidations.

Audit expenses rebate: In financial year 2021/22, a provision was raised for £1,320k to meet a legal obligation to rebate audit fees for an element of our 'pooled costs' charges. This arose due to the significant reduction in the cost of in-house and firm's expenses in relation to travel and subsistence. During 2022/23 and 2023/24 the majority of this provision was released and as at 31 March 2024 there was a balance of £107k being held in respect of the pooled costs savings generated on 2021/22 audits. This legal obligation has been released in 2024/25 as part of the fee instalment invoicing arrangements.

Rent review/contractual obligation: In 2022/23, our offices in Glasgow and Inverness were scheduled rent reviews in accordance with their existing lease agreements and we also had a potential contractual obligation that needed to be provided for. Settlement of these obligations occurred in 2023/24 and the provisions were released.

Dilapidations: Audit Scotland leases three properties across Scotland. The leases for Edinburgh and Glasgow contain provisions in respect of obligations for property dilapidations, reinstatement and decoration. Estimates of likely costs in respect of obligations under our property leases for dilapidations, reinstatement and property decorations are charged in accordance with IFRS 16 Leases, which requires dilapidation estimates to be added to the right-of-use asset and depreciated.

The movement in other provisions during the year were as follows:

	2025	2024
	£000	£000
Opening balance at 1 April	875	1,204
Provided in year	80	94
Released in year	(195)	(423)
Closing balance at 31 March	760	875
Payable within 1 year	-	120
Payable after 1 year	760	755
	760	875

16. Related party transactions

Audit Scotland is a statutory body funded by the Scottish Parliament. The latter is regarded as a related party. Audit Scotland's income arises principally from audit fees and charges levied on public sector bodies. During the period, none of Audit Scotland's directors and board members has undertaken any material transactions with related parties.

17. Events after the reporting period

There have been no significant events after 31 March 2025 that require adjustment to, or disclosure in, the financial statements.

The financial statements were authorised for issue by the Auditor General for Scotland on 9 June 2025.

18. Contingent liabilities

At 31 March 2025, there were no contingent liabilities.

19. Capital commitments

At 31 March 2025, there were no capital commitments.

20. Segmental reporting

Audit Scotland is considered to have just one operating segment and therefore no segmental information is produced.

Direction by the Scottish ministers

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

- The statement of accounts for the financial year ended 31 March 2006 and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
- The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 25 April 2001 is hereby revoked.

Signed by the authority of the Scottish ministers

17 January 2006

Annual report and accounts 2024/25



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Alexander Sloan
Accountants and Business Advisers

Audit Scotland Audit summary report for the year ended 31 March 2025

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Scope

As the External Auditor we are required by legislation to report to the Scottish Commission for Public Audit (the ‘Commission’) our findings from the annual audit of the Accounts of Audit Scotland. The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2025.

Acknowledgements

We would like to thank the management and staff of Audit Scotland for their assistance and co-operation during the audit.

Audit Opinion

.....
Based on our detailed audit work which is carried out in accordance with International Standards on Auditing, we have been able to satisfy ourselves that the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2025 and of its net resource outturn for the year and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers and have therefore issued an unmodified audit opinion on the Accounts for the year ended 31 March 2025.

Responsibilities

The responsibilities of Audit Scotland and ourselves as auditors are set out within the audit report.

Letter of Representation

Our audit opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer and no further significant events arising up to the point of signing the audit report. The letter of representation has been sent to Audit Scotland for approval by the Accountable Officer.

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities.

Scope of Audit

Our audit report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit for our audit work, for the audit report, or for the opinions we form.

Audit Independence and Ethics

We can confirm that we have complied with the FRC Ethical Standard and the ethical safeguards as set out in the Audit Plan.

Audit Plan

The Audit Plan for the period ended 31 March 2025 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: “Communication with those charged with governance”. We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

Ethical Assurance

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and Audit Scotland;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with Audit Scotland or the Scottish Commission for Public Audit;
- no members of the audit team have any personal or family connections with Audit Scotland, the Scottish Commission for Public Audit or their officers.

At the conclusion of the audit we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity has not been compromised and the firm has acted in accordance with the FRC Ethical Standard.

Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
<p>Management Override of Controls</p> <p>In all organisations, there is a risk that management and Board members have the opportunity to process transactions or make adjustments to the records outside the normal financial control process. Such transactions could result in a material misstatement within the financial statements. As a result, we consider this a significant risk area in accordance with the International Standard on Auditing (UK) 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”.</p>	<p>Our audit work did not identify any material override of financial controls.</p>
<p>Revenue Recognition</p> <p>Under the International Standard on Auditing (UK) 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”, there is a requirement for the auditor to presume that the entity could adopt accounting policies or recognise income in such a way that leads to a material misstatement of the reported revenue of the entity.</p>	<p>Our audit work did not identify any material misstatement of revenue.</p>
<p>Key Accounting Estimates</p> <p>As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2025 include a number of key estimates. Key estimates will include provisions and pension assumptions as well as work in progress which is considered separately below.</p>	<p>We have reviewed supporting documentation and assumptions in respect of the key accounting estimates and are satisfied that the provisions are not materially misstated and disclosures are sufficient.</p>
<p>Work In Progress</p> <p>The valuation of Work in Progress (WIP) of audits as at 31 March 2025 is a significant accounting estimate and has an impact on the level of reported fee income, approved auditor expenditure and assets and liabilities.</p>	<p>We have reviewed Audit Scotland’s work in progress calculations and are satisfied that the balances are not materially misstated.</p>

<p>Pension</p> <p>The financial statements for the previous year reported a Nil Pension balance following the actuary's report of a pension asset under IAS19 accounting and further assessment of the balance that should be reported under IFRIC14. The accounting and disclosures of the pension balance is a key component of the financial statements and the actuarial report contains detailed assumptions which will be reviewed for reasonableness.</p>	<p>As with the previous two years, a pension asset was calculated by the actuary under IAS19 accounting and so we liaised with Audit Scotland to request a report from the actuary in respect of the asset ceiling that should be applied in accordance with IAS19 and IFRIC14.</p> <p>Following our review of the actuary's report, we are satisfied with the appropriateness of the pension balance as reported and consider the disclosures sufficient.</p>
<p>IFRS 16</p> <p>IFRS 16 is an accounting standard in respect of leases which was adopted for the first time in the financial statements in the prior year. Extensions to the office leases were agreed during the year and so the appropriateness of the accounting treatment was considered.</p>	<p>As part of our audit work we reviewed the assumptions made in the original calculations and are satisfied that the financial statements correctly apply IFRS16 and that the disclosures are appropriate.</p>
<p>Disclosure Risk</p> <p>The prior year financial statements contained reference to the non-disclosure of accrued pension benefits for the Auditor General following an exceptional delay in the calculation of these figures by an external body. This non-disclosure was permitted following an amendment to the <i>Financial Reporting Manual (FReM)</i>. As we are uncertain whether such a delay will exist this year, we have included this as significant audit risk for the 2025 audit.</p>	<p>The required information was received prior to signing of the accounts. We have reviewed the correspondence from the pension scheme and the disclosure of the balances at 31 March 2025 and are satisfied that these are appropriately disclosed in the Remuneration and Staff Report.</p>

Qualitative Aspects of the Financial Statements

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
<p>Accounting Policies FReM requires that entities should review their accounting policies regularly to ensure they are appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these policies.</p>	<p>We have reviewed the significant accounting policies and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Accounting Estimates and Judgements FReM requires that entities should use estimates and judgements appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these estimates and judgements.</p>	<p>We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Timing of Transactions Audit Scotland are responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.</p>	<p>No material recording issues were identified during the course of the audit.</p>
<p>Going Concern The Accountable Officer is responsible for assessing whether Audit Scotland is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Accountable Officer's assessment and whether we believe it is appropriate.</p>	<p>During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on a review of budgets and discussion with the Management team, as there is no expectation that funding will be withdrawn or the entity wound up, we are satisfied that the organisation's assessment is appropriate.</p>

Qualitative Aspects of the Financial Statements (continued)

Qualitative Aspects	Audit Findings
Disclosures Audit Scotland is responsible for the preparation of their financial statements. We consider whether they are presented in accordance with Financial Reporting Manual (FReM).	We did not identify any material disclosure errors within Audit Scotland's financial statements.

Adjustments to the Financial Statements

We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

Scope

During the course of our audit we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Accountable Officer. The decision as to whether to adjust the financial statements lies with the Accountable Officer as responsibility for the financial statements lies with the Accountable Officer. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated. The following adjustments have been identified and processed in the financial statements.

Adjustments made to financial statements DR / CR	Impact on Income £000	Impact on Expenditure £000	Impact on Assets £000	Impact on Liabilities £000	Description
Lease Liability >1 year				(130)	<i>Being adjustment to allocation of short/long-term lease liability following recalculation</i>
Lease Liability <1 year				130	
Approved Auditor Fees		170			<i>Being adjustments made to WIP values following review</i>
Charges Debtor and WIP WIP Supplier Expend Accrual			(134)	46	
Approved Auditor Fees		446			<i>Being introduction of fees and WIP movement on agreed additional fees</i>
Fee income LA	446				
WIP Deferred income WIP Debtor			(60)	(60)	
TOTAL – GROSS EFFECT	446	616	(194)	(14)	
TOTAL – NET EFFECT		(180)		(180)	

Adjustments to the Financial Statements (Continued)

UNADJUSTED DIFFERENCES

Adjustments not made to financial statements	Impact on Income £000	Impact on Expenditure £000	Impact on Assets £000	Impact on Liabilities £000	Description
<i>No unadjusted differences were noted during audit</i>					
TOTAL – GROSS EFFECT					
TOTAL – NET EFFECT					

Internal Controls

Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Scottish Commission for Public Audit. It should be noted that the matters dealt with in this report came to our attention only during the normal course of our audit work and not as a result of a special review of Audit Scotland's systems, procedures and controls. The findings in this report are not designed to be a complete record of weaknesses in your system.

Responsibility

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.

Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of Audit Scotland's staff from whom we have received every assistance and co-operation.

Findings

We are pleased to note there are no control weaknesses for us to report following the audit.

Other Matters

There are no other matters to bring to the attention of the Commission or to management.

Internal Audit

As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held regular meetings with Audit Scotland's Internal Auditors.

Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.



A Greener Audit

The firm is committed to minimising its impact on the environment in the services that it provides. The following measures have been put in place to minimise the carbon footprint of your audit:



Paperless Audit

The audit was entirely paperless. The work was carried out electronically and will be stored electronically.



Travel

We did not travel to your premises to carry out audit work and the majority of work was carried out by staff working remotely



Reporting

All our reporting to you, including our audit report, was provided to you electronically.



Meetings

All meetings were carried using video conferencing applications.



Power

We use cloud based servers from a company that has net zero emissions.



Commitment

We are committed to further reducing our carbon footprint.

Contacts

Should you require any further information regarding any matter raised in the report, then please contact one of your key contacts as set out below:

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Alexander Sloan is a trading name of Alexander Sloan LLP, a limited liability partnership, registered in Scotland SO307864 whose registered office is 180 St Vincent Street, Glasgow, G2 5SG.

Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.

Annexe B: Quality of Public Audit in Scotland
annual report 2024/25

Quality of public audit in Scotland

Annual report 2024/25









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Accessibility

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

Key facts

	125	Local government audits 32 councils, 30 integration joint boards, 11 pension funds, 27 joint boards and joint committees, and 25 charitable trusts
	85	Central government audits Scottish Government, 13 agencies, 10 non-ministerial departments, 55 non-departmental public bodies, and 6 others
	23	NHS audits 14 territorial boards and 9 special boards
	20	Further education audits
	7	Audit providers Audit Services Group, Azets Audit Services, Deloitte, EY, Forvis Mazars, Grant Thornton, and KPMG
	233/253	2023/24 audits complete by 31 March 2025

Key messages

- 1** Auditors and bodies have worked well together to increase the proportion of audits delivered by target dates in the past year, from 45 per cent for 2022/23 audits to 55 per cent for 2023/24 audits and a further nine per cent completed more than a month earlier than the previous year. The number of audits delivered on time should approach expected performance levels within three years provided that appropriate quality financial reporting and support is provided by the relevant public bodies and no significant new obstacles arise. The associated risks that could impact on achieving this are being closely monitored.
- 2** All performance audit outputs were delivered on time except for those delayed by the pause in reporting in the period leading up to the UK General Election.
- 3** Performance audits show good compliance with audit standards. This shows that performance audit methodologies are operating well, and audit staff are delivering high-quality audit work.
- 4** Seventy-five per cent of financial audits reviewed showed good compliance with audit standards, with audit staff delivering high-quality audits. This evidences that when properly applied, financial audit methodologies were operating well. Some financial audits were not consistently complying with audit standards. Auditors have developed plans to identify the root causes, make the required improvements, and monitor the progress of these improvements.
- 5** One Audit Scotland financial audit for a smaller public body required significant improvements. Audit Scotland confirmed that the financial statements contained a classification misstatement that exceeded the auditor's materiality but did not impact the net liability position. The auditor will engage with the body to ensure that any necessary corrections and disclosures are made in the 2024/25 accounts in addition to the root cause analysis and improvement planning noted above.
- 6** Stakeholder perceptions on the quality of audit work indicates that auditors are performing their work to a good level.

- 7** Auditors complied with Ethical Standards, have systems in place to comply with audit quality standards, and have appropriate plans for improvements to their audit methodologies where required.
 - 8** Annual audit plans and annual audit reports demonstrated a high level of compliance with the Code 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 is 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](#).

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.

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

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

9. Auditors carried out permitted NAS to the value of £23,000 during the 2023/24 audits. This equates to 0.08 per cent of the total fees. This compares to £19,000, which equated to 0.07 per cent of total fees during 2022/23 audits.

10. AQA only approved work that clearly complied with the Ethical Standard and the Code. All audit providers confirmed that they did not carry out any NAS without the prior approval of AQA.

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.

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 to be improving.

13. The Auditor General for Scotland and Accounts Commission have a dynamic [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, 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

14. 171 of 214 (80 per cent) 2024/25 annual audit plans due by 31 March 2025 were submitted by the target date and a further two were improving. This failed to meet the target but is a significant improvement on the 67 per cent of 2023/24 annual audit plans. Annual audit plans for further education are due by 30 June 2025.

15. Of the 41 audits where the annual audit plan was not prepared by the target date:

- Twelve were for bodies where the 2023/24 audit was not yet complete
- Eleven were for bodies where the late completion of the 2032/24 audit contributed to the delay

- Nine were presented to the body by the target date but not submitted to Audit Scotland and a further two had submitted a draft to the body
- Four were due to audit staff availability and one because the auditor prioritised other audits
- 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

16. Overall, 55 per cent of 2023/24 audits were completed by the target date, an increase from 45 per cent of 2022/23 audits ([Exhibit 1](#)). A further nine per cent of audits that were completed after target dates were completed less than 11 months after the previous year's audit (24 per cent 22/23), making progress towards recovery ([Exhibit 2 and 3, page 10](#)).

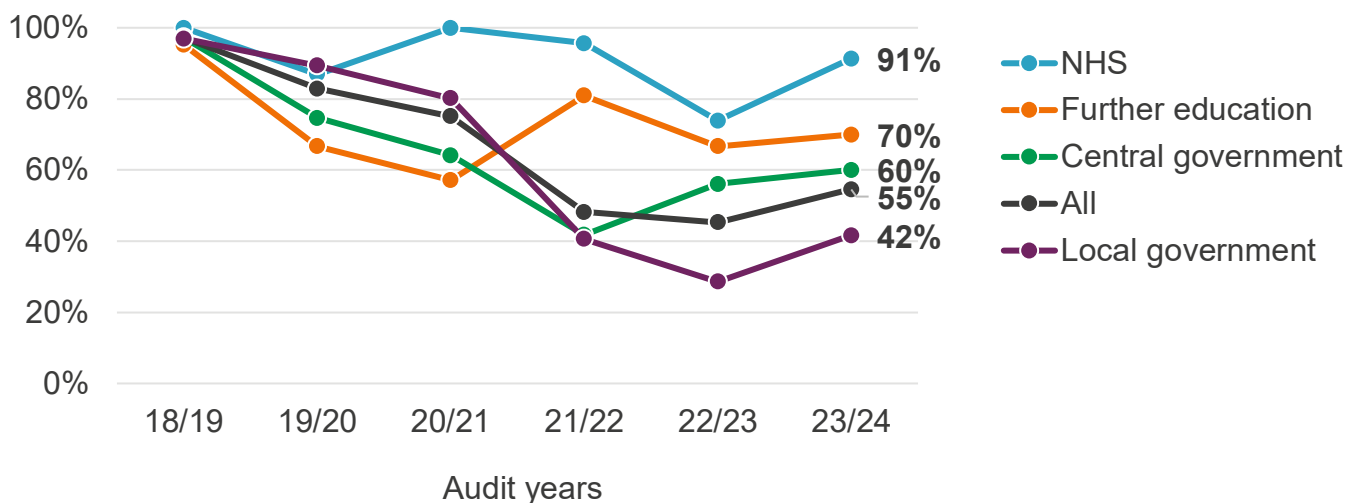
17. This resulted in 64 per cent of 2023/24 audits being on time or improving, below the target. Despite this, completion by target date improved in all sectors.

18. There remains one 2022/23 audit 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 2025.

Exhibit 1

Audit delivery by target dates is increasing in all sectors after falling in the previous four years

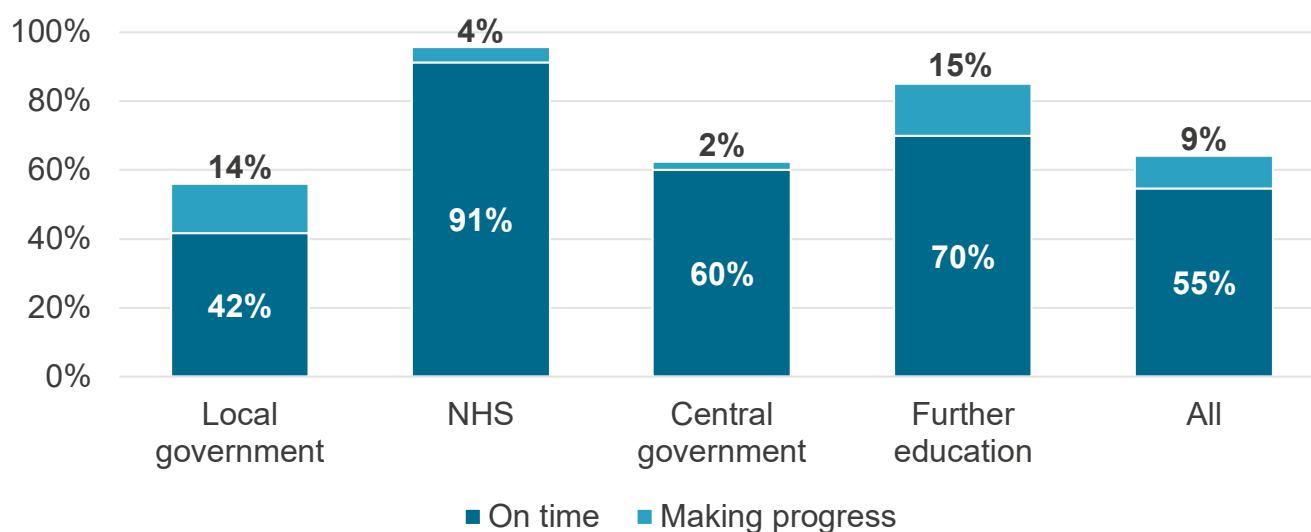
Percentage of audits completed by target dates analysed by sector and year.



Source: Audited accounts

Exhibit 2**An additional nine per cent of audits are making progress to get back to target dates**

Percentage of 2023/24 audits on time and making progress analysed by sector.



Source: Audited accounts

Exhibit 3**2023/24 audits**

Number of 2023/24 audits completed analysed by sector.

Sector	Local government	NHS	Central government	Further education	All
Number of audits	125	23	85	20	253
Audits completed by target date	52	21	51	14	138
Audits late and making progress	18	1	2	3	24
Audits late and not making progress	55	1	32	3	91

Source: Audit Scotland

19. Based on auditor plans to deliver their 2024/25 audits and best estimates of future progress, 93 per cent of audits should return to expected dates by 2026/27. This relies on auditors and bodies continuing to work together to bring forward delayed audits by similar amounts of time as they have done this year and no significant new obstacles arising.

20. 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 91 audits that were late and not making progress, 46 were primarily due to the auditor, 27 were primarily due to the body and 18 were beyond the control of either.

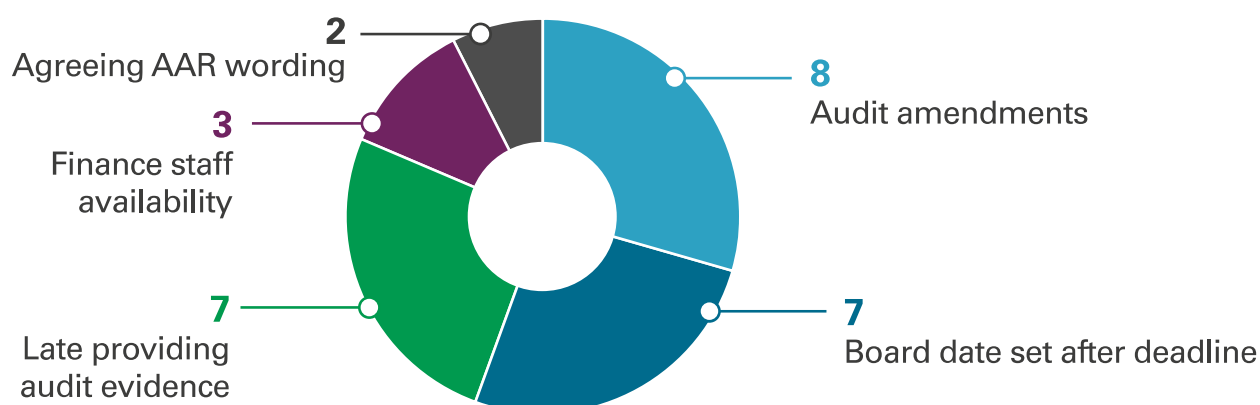
21. Of the 46 (51 per cent) audits delayed primarily because of the auditor, 38 were because auditors prioritised other audits and eight were because of audit staff availability.

22. Of the 27 (30 per cent) audits delayed primarily because of the body, the primary reasons are shown in [Exhibit 4](#).

Exhibit 4

Audit amendments, delays providing evidence and setting late board dates make up more than three quarters of delays caused by bodies

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



Source: Audit Scotland

23. Of the 18 (20 per cent) audits delayed by reasons beyond the control of both auditor and audited body, ten were because of delays the year before and eight were because auditors were unable to obtain audit information from bodies other than the audited body.

24. The largest single cause of delays was from auditors prioritising other audits. Audit Services Group and KPMG 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.

25. The number of delays caused primarily by bodies suggest that auditors have less capacity to accommodate audits that encounter difficulties than they used to. This is likely to be at least in part because of efforts to accelerate audits to bring them back to target dates.

26. Auditors are planning to advance audit delivery based on their knowledge of audited bodies, what is achievable for them, and where their time can be most valuably spent in aspiring for earlier completion. They will achieve this by, for example:

- prioritising those audits that may carry greater risks or be of particular stakeholder interest
- prioritising, as far as is appropriate, audited bodies where assurances are required to be provided to other auditors, eg pension funds
- as far as possible, maintaining completion dates for audits signed off by the Planning Guidance target completion date in 2023/24.

27. 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

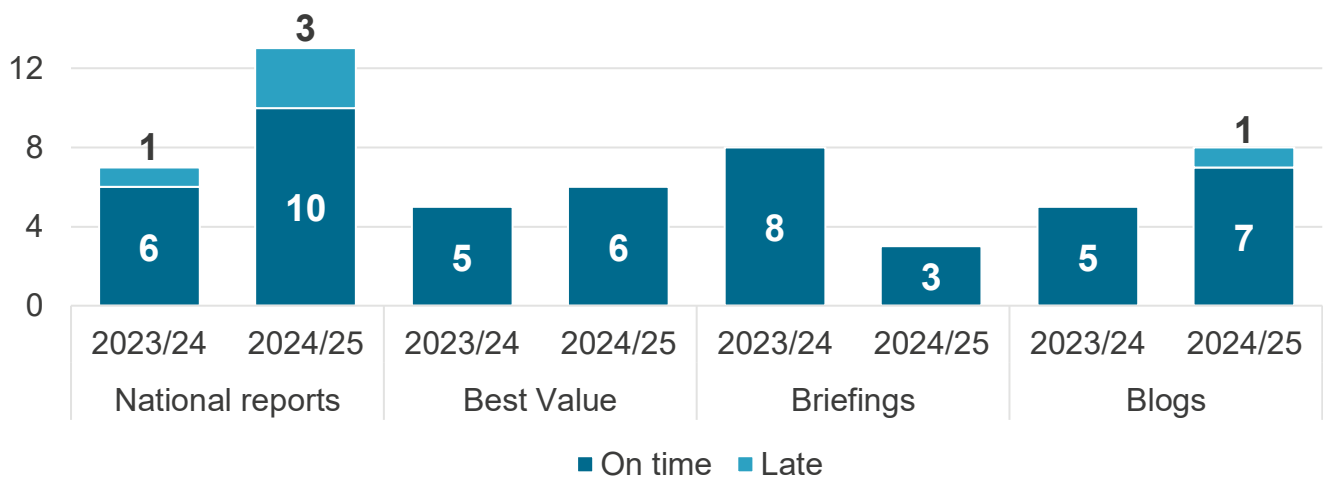
Target: 90 per cent

28. 26 of 30 (87 per cent, 96 per cent 2023/24) performance audit outputs were published as planned during the year 2024/25, not meeting the target ([Exhibit 5](#)).

Exhibit 5

2024/25 performance audit outputs

Number of 2024/25 performance audit outputs published on time or late by type.



Source: Audit Scotland

29. The July 2024 UK General Election was called after the publication plan was prepared which led to four outputs being published later than planned. This is because Audit Scotland does not publish any reports that make findings, comment, and recommendations about the performance of public bodies and services during the period leading up to a General Election. All other outputs were published on time.

30. The Auditor General and Controller of Audit published five statutory reports in 2024/25, all within the statutory laying date. The s102: Renfrewshire Council (Dargavel) update was published later than planned because of the UK General Election.

Conclusion

Auditors and bodies have worked well together to increase the proportion of audits delivered by target dates in the past year, from 45 per cent for 2022/23 audits to 55 per cent for 2023/24 audits and a further nine per cent improving. The numbers of audits delivered on time should approach expected performance levels within three years provided that appropriate quality financial reporting and support is provided by the relevant public bodies and no significant new obstacles arise.

Delays caused primarily by the auditor were reasonable.

Auditors completed their planning by the target date or shortly afterwards for all audits where this was reasonably possible.

Auditors have made appropriate and proportionate plans to continue to improve audit delivery for 2024/25 audits.

All performance audits outputs were delivered on time except for those delayed by the pause in reporting in the period leading up to the UK General Election.

Audit Scotland actions

AQA will continue to monitor auditors' plans to improve delivery performance.

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

Auditors will undertake detailed planning for the 2025/26 and 2026/27 audit years, informed by progress on 2024/25 audits, to clarify the number of audits at risk of not being completed by the end of the appointment round.

3. Quality standards

Compliance with relevant quality standards

Introduction

31. 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 and conclude whether the system of quality management 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

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

- Six out of seven auditors concluded that the system of quality management provides reasonable assurance that the objectives of the system are being achieved.
- 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 system of quality management, the system provides the firm with reasonable assurance that the objectives of the system are being achieved. No pervasive deficiencies were identified’.

33. In their Transparency report, Forvis Mazars identified three matters that ‘on balance their potential to impact on certain quality risks was significant enough to be identified as severe, without being pervasive’. These were:

- Maturity of the System of Quality Management
- Resourcing audits and Capacity Assessments
- Audit file assembly.

34. Further details are available on pages 121–122 of the [Forvis Mazars Transparency report 2024](#).

Conclusion

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

4. Quality results

External and internal quality reviews

Introduction

35. Audit quality reviews provide evidence on whether audit work complies with the Code and ISAs. They also highlight areas to improve audits in the future.

36. 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.

37. Reviews use the Financial Reporting Council's scoring methodology for consistency and comparability ([Exhibit 6](#)).

Exhibit 6

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

38. 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 over a six-year cycle.

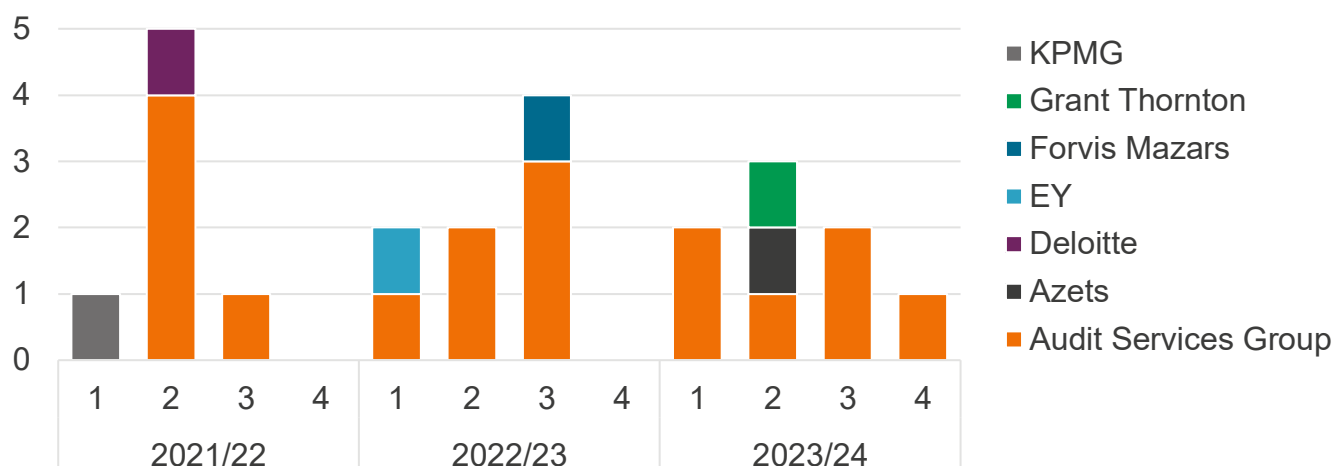
Financial audits

39. ICAEW found that five of eight (62.5 per cent) external reviews required no more than limited improvements ([Exhibit 7](#)). This is below the target of 80 per cent but is an improvement since last year (50 per cent).

Exhibit 7

Financial audit external quality reviews

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



Source: Audit Scotland

40. Audit Scotland achieved the first council and territorial health board external reviews to receive the highest rating that identified no areas for improvement of sufficient significance to report.

41. The main thematic finding last year was that more audit work is required by Audit Scotland to evaluate the appropriateness of management expert's work on non-current assets. ICAEW did not identify any such cases this year.

42. ICAEW followed up Forvis Mazars' audit that required improvement last year and found that the 2023/24 audit addressed all the matters requiring improvement.

43. The work to support wider scope responsibilities including Best Value was of a generally good quality, though in some cases there was scope to improve the audit trails between the work undertaken and judgements reported.

44. The quality reviews identified several areas of good practice including clearly documented audit work, and clearly considered and documented audit approaches. Examples include consideration of valuation work on non-current assets, IT risk assessment, identification of journals to test management override, and well documented and thought-out working papers to support wider scope work.

45. Three external reviews required improvement or significant improvement. The areas requiring improvement or significant improvement related to testing liabilities, investments and over-reliance on another auditors' work. The improvements required on investments may be common to some of Audit Scotland pension fund audits and those related to over-reliance on another auditor's work may be common to some of Audit Scotland's local government charitable trust audits.

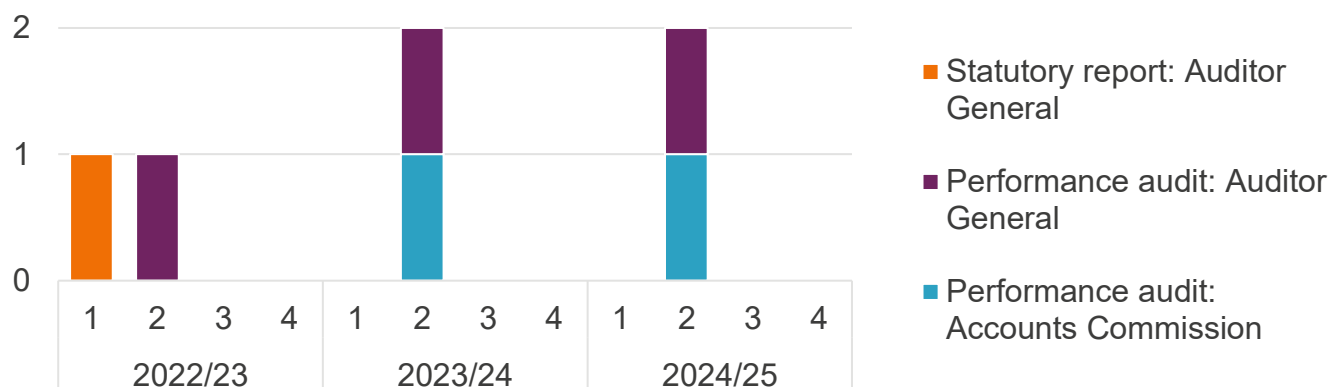
Performance audit outputs

46. Both performance audit output reviews required no more than limited improvements ([Exhibit 8](#)), meeting the target.

Exhibit 8

Performance audit external quality reviews

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



Source: Audit Scotland

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

- the links to referenced reports and referenced exhibits were effective in helping the reader to navigate the report
- the use of definition boxes which feature near the body text on the page are helpful for the reader in understanding the report
- the record of evidence was clearly completed and referenced.

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

Target: 80 per cent annual

48. 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. The timing of the reviews means that Deloitte's and EY's reviews of 2023/24 audits are not included.

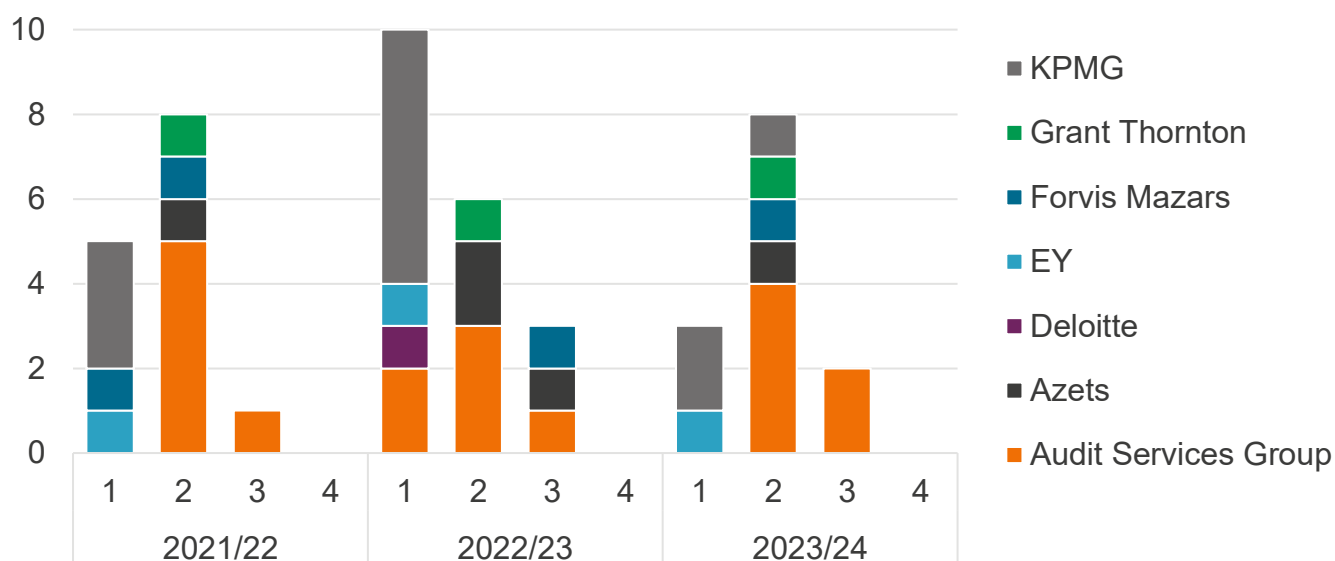
Financial audits

49. Auditors found that 11 of 13 internal reviews (85 per cent) required no more than limited improvements ([Exhibit 9](#)), meeting the target.

Exhibit 9

Financial audit internal quality reviews

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



Source: Audit Scotland

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

- There are indications that enhanced guidance and templates to support Audit Scotland's audit work on land and building valuations are contributing to further audit recommendations in annual audit reports to improve the accuracy of financial reporting.
- Several examples of good practice were identified related to the planning and risk assessment stage of the audit. For example, good documentation of fraud inquiries and related risks and fraud arrangements; clear assessment of laws and regulations, and good documentation of risks of material misstatement and audit responses.
- Effective audit work and impactful reporting on Best Value arrangements was noted across several Audit Scotland audits, particularly for the two councils reviewed.

51. Two internal reviews required improvement. Areas for improvement included:

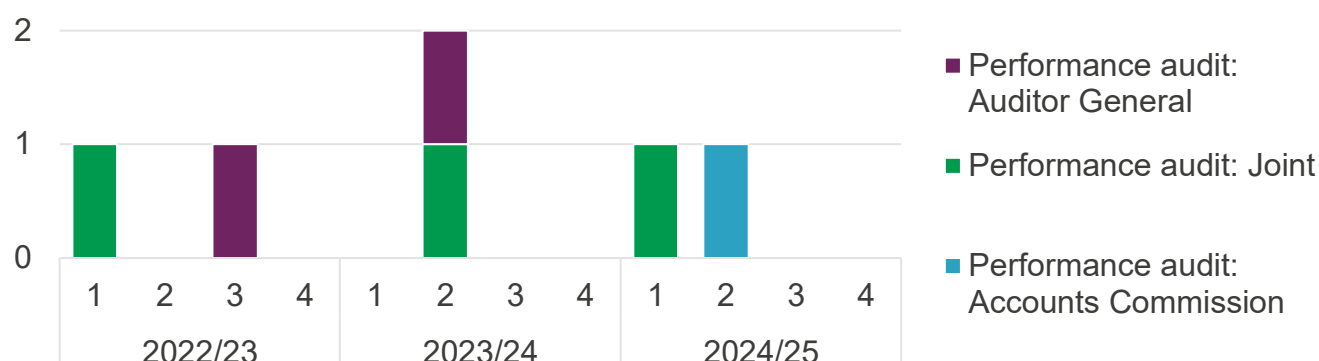
- Where audited bodies use a service organisation (for example, an external entity that provides financial services, or an investment manager), documenting an understanding of the controls at the service organisation and at the audited body is necessary.
- Audit procedures could be enhanced when evaluating the accuracy of the source data and inputs used as the basis for the revaluations, such as building floor plans. Although some audit teams are discussing these aspects with the valuer, evaluating the underlying source data and evidence for each item in the sample was not always clear. Audit work to assess the reasonableness and justification for assumptions and methods used by the valuer could be further developed including greater consideration of obsolescence factors, contingency costs, external work costs and professional fees.
- Testing of the opening balances for heritage asset balances, in addition to testing additions during the year, would provide additional assurance for the existence of the full portfolio of assets. The body's impairment process to assess the location, security and condition of heritage assets should be critically evaluated to provide further assurance over existence and valuation of these assets.

Performance audit outputs

52. Both performance audit output reviews required no more than limited improvements ([Exhibit 10, page 21](#)), meeting the target.

Exhibit 10**Performance audit internal quality reviews**

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



Source: Audit Scotland

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

- Teams engaged with a wide range of stakeholders to inform the audit scope and sought feedback from the Equalities and Human Rights Advisory Group on the emerging messages.
- The review and approvals log for the planning section was very comprehensive. There was a clear description of the review points and actions taken to address them.
- The audit team included a member with extensive knowledge and experience of the topic area.

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

Target: 0 per cent annual

Financial audits

54. One Audit Scotland financial audit review of a small body (12.5 per cent) required significant improvements, meaning the target was not met ([paragraph 45](#)). Audit Scotland confirmed that the financial statements contained a classification misstatement that exceeded the auditor's materiality but did not impact the net liability position.

Performance audit outputs

55. 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

Financial audits

56. Internal quality reviews did not identify any financial audits as requiring significant improvements, meeting the target.

Performance audit outputs

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

ICAEW Audit Scotland summary

58. 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 improvement at our previous visit in a file we reviewed at another appointed firm. 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, five of the eight files were either good or generally acceptable. We did not identify any significant thematic areas. In the files requiring improvement or significant improvement, all relating to audits conducted by Audit Scotland, we identified weaknesses in testing liabilities, investments and over-reliance on another auditors' work. 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 significant findings in these reviews. However, on Audit Scotland reviews, we identified some other findings. In two instances, audit trails between reports and underlying work were unclear and in one less complex body, the risk assessment and subsequent audit work on financial sustainability needed further work.

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 or significant improvement. Any key findings¹ identified from our reviews should be considered as part of the evaluation process of the applicable appointed auditor's System of Quality Management.

¹ Relate to 'principal findings' that are the driver of a file requiring improvement or significant improvement or represent a significant thematic issue.

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

Audit Scotland's whole-firm procedures remain generally appropriate for the size and nature of the organisation. The key aspects of whole-firm procedures, relevant to auditing public bodies, for the two appointed firms covered in this limited review are also generally appropriate.

Conclusion

Performance audit methodologies are operating well, and audit staff are delivering high-quality audit work.

Most financial audits showed good compliance with audit standards, with audit staff delivering high-quality audits. This evidences that when properly applied, financial audit methodologies were operating well.

Some financial audits were not consistently complying with audit standards. Auditors have developed plans to identify the root causes, make the required improvements, and monitor the progress of these improvements.

One Audit Scotland financial audit for a smaller public body required significant improvements. Audit Scotland confirmed that the financial statements contained a classification misstatement that exceeded the auditor's materiality but did not impact the net liability position.

Audit work to support wider scope responsibilities including Best Value was of a generally good quality.

Audit Scotland actions

Audit Scotland's Innovation and Quality group will review audit approaches and guidance including the processes for auditing valuations of pension fund assets, and reliance on another auditor's work for charitable trusts.

Audit Scotland will engage with the body where the misstatement occurred to ensure that any necessary corrections and disclosures are made in the 2024/25 accounts.

Audit Scotland's Innovation and Quality group will support the audits with improvements required through facilitating root cause analysis and undertaking hot reviews during the 2024/25 audit year.

5. Audit quality survey

Stakeholder perceptions

Introduction

59. AQA commissions the Diffley Partnership to conduct an annual independent stakeholder feedback survey. The survey invites directors of finance, chief executives, and chairs of boards or audit committees (or their respective equivalents) whose 2023/24 audits have been, or were expected to be, completed by the close of the survey to each complete the survey for the different perspectives they had about the audit.

60. This resulted in the Diffley Partnership inviting 539 individuals (501 in 2022/23) in audited bodies to provide feedback on the 2023/24 financial audits and performance audit outputs published in the past year. 278 individuals (247 in 2022/23) completed responses (51.6 per cent, 49 per cent 2022/23). This increase in the response rate is a positive sign that stakeholders are willing to engage with us on their views of public audit and making further improvements to audit quality.

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

- the usefulness of the annual audit overall (financial and wider scope audit work)
- for local governments, the appropriateness of coverage of Best Value.

62. 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, and
- useful, which means that recommendations are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.

63. 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

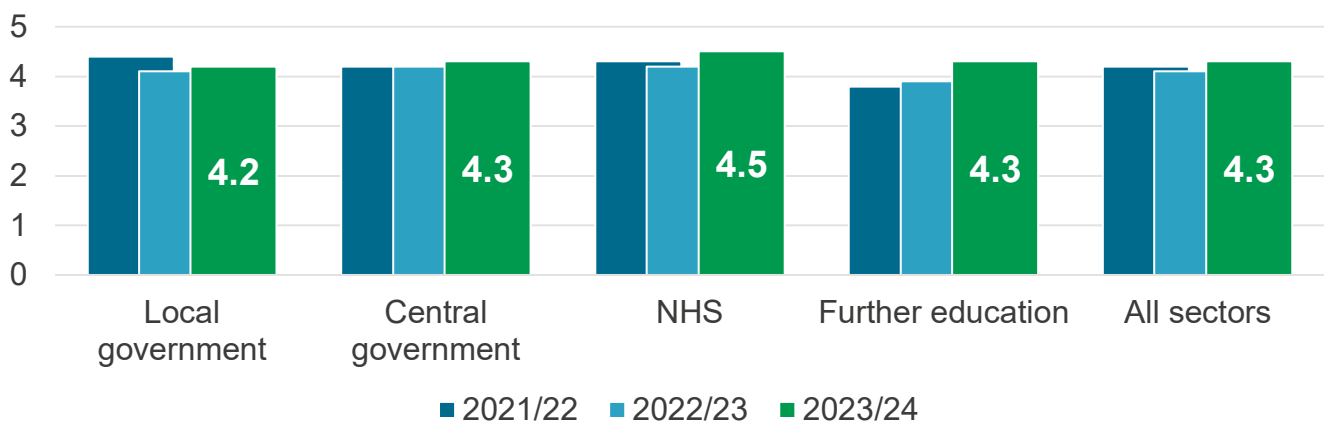
Perception of the usefulness of the annual audit overall

64. Stakeholders' views on the usefulness of the annual audit have improved with 85 per cent of stakeholders believing their annual audit is fairly or very useful (78 per cent in 2022/23), with a mean score of 4.3 (4.1 in 2022/23) ([Exhibit 11](#)), exceeding the target in all sectors.

Exhibit 11

Stakeholder perceptions on financial audits are improving

Mean score for each auditor for the usefulness of the annual audit.



Source: Diffley Partnership

65. The most frequently used words by stakeholders to describe financial audits were 'assurance' (65 responses) and 'useful' (46 responses).

Perception of the appropriateness of coverage of Best Value

66. Stakeholders' views on how well auditors covered Best Value in their annual audit report were steady at 3.9 (3.8 in 2022/23), just below the target.

67. The score for Audit Scotland auditors was above the average at 4.2, which reflects positively on both Audit Scotland and the specialist Performance Audit and Best Value team.

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

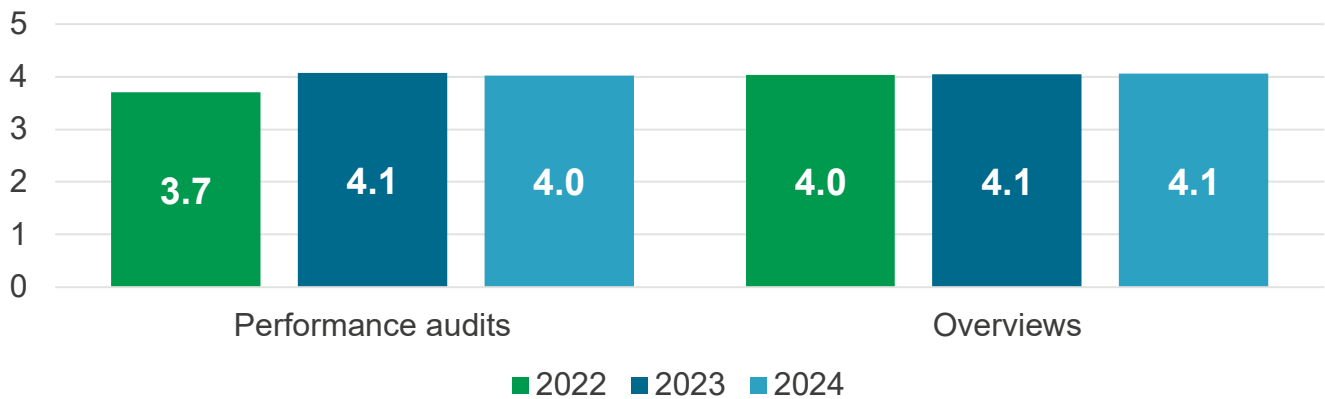
Target: 4 out of 5

68. Stakeholder perception on the quality of performance audit outputs has overall remained steady. The mean score is 4.0 (4.1 in 2022/23) for performance audits and 4.1 for overview reports (4.1 in 2022/23) ([Exhibit 12](#)), meeting the target for both types of report.

Exhibit 12

Stakeholder perception of the quality of performance audit outputs is steady

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



Source: Diffley Partnership

69. There were five overview and four performance audit reports in 2024/25. The perception of quality ranged from 3.9 to 4.3 for overview reports and from 3.9 to 4.1 for performance audit reports.

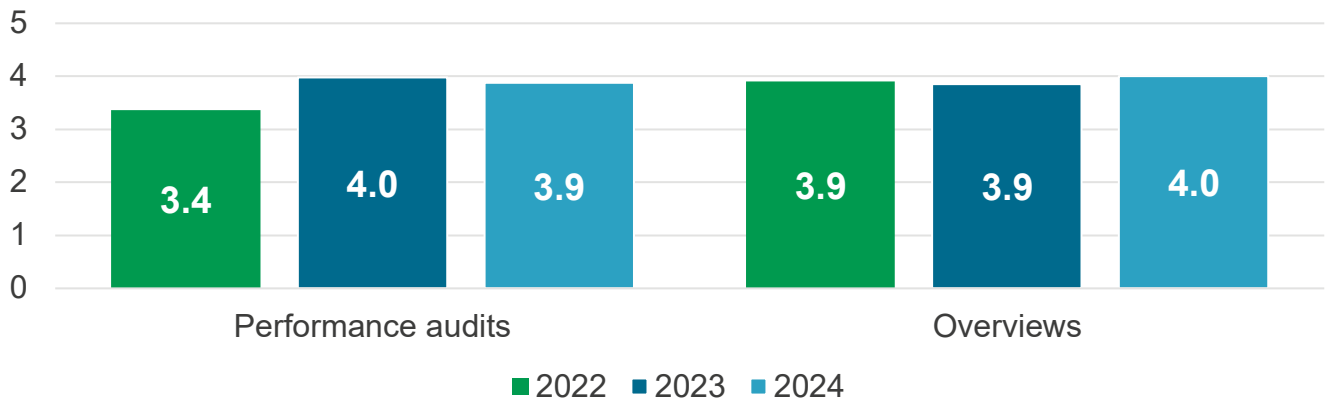
Audit quality indicator 12: Stakeholder perception on the usefulness of performance audit outputs

Target: 4 out of 5

70. Stakeholder perception on the usefulness of performance audit outputs has also remained steady. The mean score is 3.9 (4.0 in 2022/23) for performance audits and 4.0 for overview reports (3.9 in 2022/23) ([Exhibit 13, page 27](#)), just below the target for performance audits and meeting the target for overviews.

Exhibit 13**Stakeholder perception of the usefulness of performance audit outputs is steady**

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



Source: Diffley Partnership

71. The perception of usefulness ranged from 3.8 to 4 for performance audit reports and from 3.7 to 4.3 for overview reports.

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

72. 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.

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

74. AQA monitors Prior Period Errors (PPEs) to identify any implications relating to audit quality. Quality of public audit in Scotland 2023/24 reported that a significant number of PPEs were incorporated in the 2022/23 financial statements. The change in auditor as part of the auditor rotation led to differences in approach in areas such as valuation of property and pensions.

75. AQA reviewed PPEs reported by auditors to determine if PPEs had reduced to an acceptable level and to ensure that there are no implications relating to audit quality.

Findings

Annual audit plans (AAPs)

76. All AAPs reviewed showed a good level of compliance with the 2021 Code and 2023/24 Guidance on planning the annual audit. Good practice by auditors included:

- clear explanation by the auditor of audit quality arrangements
- clear and concise explanations of auditors' responsibilities for Best Value
- inviting board members to contact the audit team should they have any concerns and using information from the National Fraud Initiative to inform fraud risks
- use of appendices to highlight changes to auditing standards and their impact on the audit, and sectoral developments and their impact on the audited body

- an explanation of which parts of property plant and equipment were subject to additional audit procedures, and which were not.

77. Auditors of local government pension funds are inconsistent in how they described their planned audit work on Best Value in their AAPs. Seven of 10 AAPs from two auditors (six Audit Scotland, one KPMG) reviewed did not refer to Best Value.

78. Auditors of bodies that are not councils or pension funds continue to be inconsistent in explaining their work to meet their Best Value responsibilities. Five of 22 AAPs from five different auditors did not, or did not adequately, refer to Best Value.

Annual audit reports (AARs)

79. Most AARs (84 per cent) reviewed demonstrated a high level of compliance with the Code and related guidance. Examples of good practice included:

- clear narrative on the significant financial and wider scope risks and other key audit matters and how these were addressed by the auditor
- well written, balanced annual audit reports that explains to the reader, the audit process from planning to completion in a clear and concise manner
- clear recommendations that are useful, specific, and practicable
- clear judgements regarding the effectiveness and appropriateness of the arrangements in place at audited bodies
- detailed action plans setting out clear findings, management responses and implementation dates
- thorough follow-up of prior year recommendations.

80. 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 their 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 their AARs contain a clear conclusion on the effectiveness of arrangements by the

accountable officer to secure Best Value for central government and NHS bodies.

- Auditors should ensure that all recommendations have an agreed target date and responsible officer for implementing recommendations.

Best Value thematic reports

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

Prior period errors

82. Our review found that the number of PPEs have reduced from 11 per cent in 2022/23 to 7.5 per cent in 2023/24. This is in line with our expectations for the second year of the five-year audit appointment.

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 2024/25

AQI	Service area	Target	Actual	Result
1	Independence Percentage of audit providers confirming compliance with ethical requirements. Ethics, page 7	100%	100% (100% for 2022/23)	 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 8	100% on time or improving ¹	81% (74% for 2023/24)	 Target not met
3	Performance monitoring and remediation Percentage of audits completed by the target date. Audit delivery, page 9	100% on time or improving ¹	64% (69% for 2022/23)	 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 12	90%	87% (96% for 2023/24)	 Target not met
5	Quality monitoring Percentage of audit providers confirming compliance with ISQM 1 system of quality management requirements. Quality standards, page 14	100%	100% (100% for 2022/23)	 Target met

Cont.

AQI	Service area	Target	Actual	Result
6	Quality monitoring			
	Percentage of financial audit external quality reviews requiring no more than limited improvements. (Grade 1 & 2)	80% annual	62.5% (50% for 2022/23)	 Target not met
	Percentage of performance audit external quality reviews requiring no more than limited improvements. (Grade 1 & 2)		100% (100% for 2022/23)	 Target met
	Quality results, page 16			
7	Quality monitoring			
	Percentage of financial audit internal quality reviews requiring no more than limited improvements. (Grade 1 & 2)	80% annual	85% (84% for 2022/23)	 Target met
	Percentage of performance audit internal quality reviews requiring no more than limited improvements. (Grade 1 & 2)		100% (100% for 2022/23)	 Target met
	Quality results, page 16			
8	Quality monitoring			
	Percentage of financial audit external quality reviews requiring significant improvements. (Grade 4)	0% annual	12.5% (0% for 2022/23)	 Target not met
	Percentage of performance audit external quality reviews requiring significant improvements. (Grade 4)		0% (0% for 2022/23)	 Target met
	Quality results, page 16			
9	Quality monitoring			
	Percentage of financial audit internal quality reviews requiring significant improvements. (Grade 4)	0% annual	0% (0% for 2022/23)	 Target met
	Percentage of performance audit internal quality reviews requiring significant improvements. (Grade 4)		0% (0% for 2022/23)	 Target met
	Quality results, page 16			

Cont.

AQI	Service area	Target	Actual	Result
10	Stakeholder perception			
	a) Perception of the usefulness of the annual audit overall	4/5 ²	4.3/5 (4.1/5 2022/23)	 Target met
	b) Perception of the appropriateness of coverage of wider scope		New indicator: Not added to 2023/24 survey	
	c) Perception of the appropriateness of coverage of best value (LG only)		3.9/5 (3.8/5 2022/23)	 Target not met
	Audit quality survey, page 24			
11	Stakeholder perception			
	Perception of the quality of:	4/5 ²	4.1/5 (4.1/5 2022/23)	 Target met
	a) Overview reports			
	b) Performance audits		4.0/5 (4.1/5 2022/23)	 Target met
	Audit quality survey, page 24			
12	Stakeholder perception			
	Perception of the usefulness of:	4/5 ²	4.0/5 (3.9/5 2022/23)	 Target met
	a) Overview reports			
	b) Performance audits		3.9/5 (4.0/5 2022/23)	 Target not met
	Audit quality survey, page 24			

¹ Improving means within 11 months from date output was last signed. This is considered an appropriate timescale for effective audit reporting to stakeholders.

² Target applies to a, b and c (where applicable).

Quality of public audit in Scotland

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